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TODAY: HEALTH SCIENCE DNA Forever, Page 8

Blake Sell/Reuters

Christmas in crisis: Children from a church in Lima singing Christmas carols outside the besieged Japanese ambassador's residence as a line of armed police officers remained on guard in the background. Meanwhile, students were emptying bottles of detergent in a central square in Belgrade to symbolically clean a site where fighting took place.

Emil Vas/Reuters

Opponents Of Milosevic Keep Calm After Clashes

200,000 March Again Following Violence At Pro-Regime Rally

By John Pomfret
Washington Post Service

BELGRADE — Defying police beatings, tough words from President Slobodan Milosevic and harsh weather, hundreds of thousands of opposition supporters packed the snowy streets of the capital Wednesday in a 36th straight day of protests.

Lobbing firecrackers and chanting slogans, approximately 200,000 people formed a human serpent that twisted through central Belgrade in part to demand democracy and in part to celebrate what many here believe to be a significant victory over Mr. Milosevic's supporters the night before.

The peaceful demonstration Wednesday was a blunt reminder to Mr. Milosevic that his attempts Tuesday night to use Socialist supporters to smash the monthlong wave of opposition protests had failed.

Officials of the Socialist Party of Serbia had said they expected 500,000 Milosevic loyalists to converge on Belgrade on Tuesday and scare off opposition supporters. In reality, fewer than 100,000 showed up, and it was Mr. Milosevic's supporters who were forced to flee the capital instead.

In all, about 100 people were wounded in the street fighting between supporters of the opposition against riot police and those backing Mr. Milosevic. The Milosevic supporters had been bused into Belgrade by the Socialist Party, and handed sticks and metal rods.

In a day eerily reminiscent of those leading up to the execution of the Romanian Communist dictator, Nicolae Ceausescu, on Christmas Day 1989, one opposition supporter was shot in the head point-blank by a man standing in a crowd of Milosevic loyalists.

Independent news media reported that at least seven people were hospitalized with knife wounds and broken bones.

The clashes erupted when the Socialists organized a pro-Milosevic demonstration at the same time and in the same place where the opposition demonstration was supposed to take place. It was the first attempt by the Socialists to demonstrate in favor of Mr. Milosevic since the opposition began marching in the capital more than a month ago.

Leaders of the opposition coalition, Together, said Wednesday that they would continue protesting until Mr. Milosevic restored the results of the Nov. 17 municipal elections. Courts friendly to Mr. Milosevic annulled opposition victories in 14 of the 19 biggest Serbian cities.

"The whole world can see that Serbia is the last bastion in Europe for this kind of government," said Vesna Pesic, an opposition leader. "It is as if seven years ago the Berlin Wall did not fall. It is as if Serbia is an island in Europe where democracy has not reached."

In a news conference Wednesday, Mr. Pesic and another opposition leader papered over signs of disagreement in their movement and said they still wished for a dialogue with Mr. Milosevic and other Socialists as long as the ruling party first recognized Together's electoral victories.

See BELGRADE, Page 5

Suspicion Over Deals Raises Tension in Peru

Did Uruguay Arrange Envoy's Release?

By Gabriel Escobar
Washington Post Service

LIMA — The release of the Uruguayan ambassador just hours after a court in Montevideo freed two members of the Tupac Amaru Revolutionary Movement caused consternation here Wednesday.

The Peruvian government has rejected gunmen's demands for the release of imprisoned guerrillas for the freedom of the remaining 104 hostages.

[The rebels released another hostage Wednesday afternoon from the besieged Japanese ambassador's residence in Peru, live television pictures showed, Reuters reported.

[Local television named the man as Kenji Hirata, a Japanese diplomat.

[Looking ill, with his head slumped to one side, the hostage was pushed out of the residence just after 5 P.M. local time in a wheelchair by Red Cross workers.]

Although Uruguay has denied any connection between the court decision Tuesday and the gunmen's subsequent release of its envoy from the Japanese ambassador's residence in Lima, Peru showed its displeasure by recalling its business attaché from Montevideo — the highest-ranking Peruvian diplomat there.

The case in Uruguay had been under review for about seven months, and the timing of the decision as well as the quick release of Tabare Bocalandro Yapeyu, the ambassador, left the strong impression here that some deal had been struck.

From the onset of the Dec. 17 takeover of the ambassador's home by Tupac Amaru gunmen, some observers have warned that one possible way of freeing individual hostages is through unilateral negotiations with the rebels.

The possibility of any "outside" bargaining is a very sensitive issue for many reasons, not the least being Lima's adamant position that no "exit"

See PERU, Page 5

Tales of the Global Marketplace

In Jordan, the Labels Read 'Made in Israel'

By Douglas Jehl
New York Times Service

IRBID, Jordan — Amid piles of panties, the veiled Palestinian women who stitch them together say they now know that their workplace is not an Israeli factory.

But from the day it opened, that is how the biggest garment plant in Jordan has been denounced in this northern city and across a country in which hostility toward Israel is more fierce than at any time since the countries made peace in 1994.

And it certainly does not help that among the finishing touches the young Arab seamstresses put on each of the 150,000 pairs of panties that go to United States each month is a label that reads "Made in Israel."

"This is our work, not theirs," protested Samira Melhem, 32.

Someday, the factory may prove a model of the kind of across-the-border partnership that can bind Israel and Jordan together. But as a dividend of the quest for peace, it has run into unexpected resistance.

"That there is some intercourse with Israel is repulsive to many here in these difficult times," acknowledged Omar Salah, 30, the chairman of a Jordanian company that sought out the joint venture and has found itself tarred with a swirl of wild charges in Jordan's tabloid press.

Among the stories that found their way into print was that Israeli overseers had ordered the all-female staff of 350 to work as prostitutes by night. Another said young women were being beaten; still another said they had risen up in an *intifada*.

Only by inviting husbands and brothers to visit the

See STITCH, Page 4

In Hungary, a Mall Sells The American Dream

By Jane Perlez
New York Times Service

BUDAPEST — Diana Galli had already bought several toys and a knock-off Walkman, and now she contemplated an elegant display of tableware in the first American-style shopping mall in Central Europe.

"The prices are very reasonable, the atmosphere is very pretty, and it feels just like the United States," said Mrs. Galli, a 32-year-old housewife, as she debated color coordination with her mother and whether to add to the $130 they had already spent on Christmas.

When real estate developers and retailers opened the Polus Center on the outskirts of Budapest in November, they knew they had to transplant the authentic ambiance of an American mall.

In some ways, they outdid themselves. An entertainment center called Western City combines cowboy sculptures, and potted palms evoking Florida. The food court would thrill any junk food maven, with shoulder-to-shoulder Dunkin' Donuts, McDonald's and Pizza Hut. A six-theater cineplex is showing Sylvester Stallone's latest.

But the developers also understood that prices, as Mrs. Galli's budget showed, would be the ultimate test. With an average monthly wage of $465, Hungarian purchasing power is limited.

Yet not so limited, argued Sandor Demjan, the main Hungarian investor in the Polus Center, that a mall would not take off.

Historically, Hungarians are known as trendsetters willing to latch onto anything new. Besides, Mr. Demjan also knew that the sizable black market — about 30 percent of

See MALL, Page 4

Islamic Group Threatens Paris With Violence

By Craig R. Whitney
New York Times Service

PARIS — The government has received a letter from Islamic guerrillas waging war against the government in Algeria that threatened, French radio said, to "destroy" France unless it halted all aid to its former colony and freed fundamentalist prisoners.

In a letter sent to President Jacques Chirac, the Armed Islamic Group did not claim responsibility for a bombing Dec. 3 that killed four people and wounded 91 on a Paris commuter train, but it acknowledged that "recent events" had shown it was "on the path of killing and massacres."

"We do what we say," the letter concluded, according to Agence France-Presse. "If you refuse us, we are prepared with the help of God to fight you and destroy your country whatever it takes."

Le Monde said Wednesday that investigators were taking the letter as an implicit claim of responsibility.

The newspaper also said investigators now deemed the letter to be almost certainly authentic. The government said Tuesday it had not yet authenticated the document.

The Interior Ministry said that the authorities had received a letter, "apparently" from the guerrilla group, and that while it was being verified and examined, the anti-terrorist police and 2,000 soldiers patrolling France would remain on alert. The patrols were reinstituted after the Dec. 3 bombing.

The French authorities have said they assumed that the bombing marked the resumption of a campaign that killed eight people and wounded 84 last year

See ALGERIA, Page 5

The New Battle of Stalingrad: Making Ends Meet

By Alessandra Stanley
New York Times Service

VOLGOGRAD, Russia — High above the idle smokestacks of this ailing industrial city looms a huge, haunting memorial to the million Russians who died in World War II defending this city, known then as Stalingrad. But their sacrifice is also kept alive in humbler ways.

Grocery stores have small signs reminding shoppers to be "attentive and kind" to survivors of the siege — "a small price to pay for what they did for us." People too young to have lived through it describe it as if it happened yesterday. Volgograd schoolchildren paint pictures of the siege in art class.

So in Volgograd, the shame that people feel about raiding their parents' and grandparents' pensions is particularly acute.

All over Russia, tens of millions of factory workers, farmers, doctors, firefighters, miners, engineers, scientists and schoolteachers have not received their salaries for months.

They are pawning wedding rings, selling cigarettes on street corners and, most of all, borrowing from the pensions of older relatives to make ends meet.

The delay in wages, which the government estimates to have reached $9.3 billion, is perhaps the most wrenching economic and social problem in Russia today. It is a problem that in some sectors, like mining or manufacturing, has been going on for years.

World War II veterans are one of the few groups whose pensions are paid regularly. Unpaid workers

See RUSSIA, Page 4

AGENDA

Women Killed In Church Blast

A woman determined to kill herself "in a spectacular action" detonated an explosion at a Christmas Eve church service in Frankfurt, killing herself and two other women, police said.

Ten of the worshipers at a Lutheran church were hospitalized. Two of them, a 12-year-old girl and her mother, received critical head injuries.

"The evidence indicates that she was disturbed and wanted to kill herself in a spectacular action," a spokesman for the Frankfurt police department said. (Page 5)

Axel Seidemann/The Associated Press

An expert inspecting damage to a Frankfurt church after the blast.

PAGE TWO
Sudan - Big, Poor and Still at War

THE AMERICAS Page 3.
Gingrich Between Benign and Venial

ASIA/PACIFIC Page 4.
Pakistan Seeks Facts Against Bhutto

Books ..... Page 8.
Crossword ..... Page 8.
Opinion ..... Page 6.
Sports ..... Pages 12-13.

Asians Shrug Off Issue Of Clinton Fund-Raising

By Rone Tempest
Los Angeles Times

BEIJING — "One thing we know," President Bill Clinton said, explaining why he had not been more critical of two Taiwanese-American friends at the center of a scandal over U.S. campaign contributions, "is that the culture out of which they come doesn't draw the same bright lines between politics, government and business that we do."

Mr. Clinton's comments, made in an interview in the White House, reflected a view that is common here and in other Asian capitals. Much as former President Richard Nixon's ordeal with Watergate caused more puzzlement here than outrage, the reaction to the Asian campaign money issue in Asia itself has been mostly a big "So what?"

Paying large sums to pose for photographs with senior leaders? Buddhist cult masters urging the faithful to direct their worldly goods to a needy candidate? Using money to lobby for a good seat at a political banquet? In most of Asia, this is just business — and politics — as usual.

Even here in the People's Republic, where power still flows from the Communist Party Central Committee, the viability of a business venture is often judged by the status of the most senior official whose photograph or personal calligraphy adorns the lobby, so the spectacle of ambitious businesses paying money to pose with the leader of the world's most powerful country does not come as much of a shock.

In China, said Andrew Nathan, a Columbia University scholar on China, this ostentatious display of top connections is more important because there the "rule of law" is "less available."

"Westerners will also display photos of themselves with the president," he said. "But to the customer or client, this conveys more of a message of status than power because the person with the photo is more likely to go to court than through the back door if he gets involved in a conflict. Of course, it is not a black-or-white distinction. Even in the West, there are plenty of 'fixed' deals. But in China,

Clinton met with a donor of illegal funds, aides acknowledge. Page 3.

See ASIA, Page 5

Newsstand Prices

Bahrain	1.000 Din	Malta	55 c.
Cyprus	C. £ 1.00	Nigeria	125.00 Naira
Denmark	14.00 D.Kr.	Oman	1.250 Rials
Finland	12.00 F.M.	Qatar	10.00 Rials
Gibraltar	£ 0.85	Rep. Ireland	IR £ 1.00
Great Britain	£ 0.90	Saudi Arabia	10.00 R
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Jordan	1.250 JD	U.A.E.	10.00 Dirh
Kenya	K. SH. 150	U.S. Mil. (Eur.)	$ 1.20
Kuwait	600 Fils	Zimbabwe	Zm.$30.00

52

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Sudan's Strongman / **Big Dreams and Eccentric Schemes**

Grand Vizier of Islam, or Chief Terrorist?

By Tim Weiner
New York Times Service

KHARTOUM, Sudan — Hassan Turabi sits in his office overlooking the Nile, talking at high speed and weaving great mosques and minarets of words in the air.

His eyes gleaming beneath his ivory turban, the most powerful man in Sudan — Africa's biggest nation and one of the world's poorest — leaned forward to confide a secret. "We are a rich country," he said. "One of the richest countries on earth."

The harsh truth is that Sudan is broke, its currency all but worthless, its treasury drained by an endless civil war between north and south, its government under intense pressure from the United States to change its ways.

But his economic analysis fits Mr. Turabi's image of himself and his nation. He sees himself as Islam's grand vizier and Sudan as a million-square-mile Holy City. In turn, some in the U.S. government see him as the Khomeini of Khartoum and Sudan as the world's biggest terrorist training camp.

Mr. Turabi is speaker of the National Assembly and leader of its National Islamic Front, which commandeered the nation in 1989 and remains its only real political party.

He voices a tolerant version of political Islam — far less conservative than Saudi Arabia's, far less militant than Iran's. But his big dreams and eccentric schemes have landed the Sudan on the U.S. list of terrorist states, enraged all nine of its African neighbors and sparked threats of war from Cairo to Kampala, and from Asmara to Addis Ababa.

The big issue for the United States is that Sudan has served as a safe house for stateless revolutionaries. U.S. officials have no hard proof that Sudan still provides training centers for terrorists. But in their eyes, Sudan stands convicted of abetting last year's attempted assassination of President Hosni Mubarak of Egypt in Ethiopia, the World Trade Center bombing in New York in 1993 and a foiled plot to blow up the United Nations.

"Sudan cannot move into the future unless it comes to terms with what it's done," said Timothy Carney, the U.S. ambassador here. "It has to satisfy Ethiopia and Egypt over the issue of the assassination and over Sudan's policy of the expansion of political Islam by force."

The United States is searching for the right combination of political, economic, diplomatic and indirect military pressure to compel Mr. Turabi to change his behavior without touching off new fighting or adding to the misery of the Sudanese. No one in Washington is very optimistic about finding that magic formula.

For Mr. Turabi's opponents in Sudan, the issue is the 40-year civil war. The North is a desert land, culturally and politically Arabic and Islamic. The South is a huge savanna, home to hundreds of African tribes — mostly animist, some Christian, often mutually hostile.

They are one nation only on paper — "a line on the map drawn by Europeans," as Mr. Turabi puts it. But neither politics nor war have united Sudan since independence in 1956. More than a million Sudanese are thought to have died in the fighting. The southern rebels dream of their own nation but have little chance of military victory.

For Mr. Turabi's African neighbors, the issue is the threat of a wider war. Thousands of rebels from southern Sudan are based in Ethiopia, Eritrea and Uganda, three nations that would not mind terribly if Mr. Turabi disappeared tomorrow.

This month, those nations are taking delivery of $20 million of nonlethal military equipment from the United States. Some of that equipment, despite the denials of U.S. diplomats, is likely to find its way discreetly into the hands of the Sudanese rebels, according to other American officials.

The delivery of the military equipment shook the Sudanese government, which was probably the intended effect. But now rumors of war flit daily among the military and intelligence branches of the National Islamic Front, and there is talk of opening up an eastern front against Eritrea or Ethiopia. For Mr. Turabi, the biggest issue has become indirect U.S. support for his enemies. He talks about striking back, indirectly.

The calculatingly charming Mr. Turabi talks nonstop, his silvery tongue and twitching fingers shaping oddly illogical arabesques. A 65-year-old lawyer educated in London and Paris, he has been seeking and using power secretly for 30 years. His typically Sudanese résumé includes a seven-year prison sentence imposed by a pro-American dictator who later made him attorney general.

Mansoocher Deghati/Agence France-Presse

"Don't provoke a Sudanese," Hassan Turabi says of U.S. pressure on his country. "If you try to attack him, oh, he will counterattack."

UNTIL this year, he held no official position in the present regime, but always held more power than the president, ruling through shadow security forces, secret cells created by the National Islamic Front. He has traveled throughout most of the United States, and thinks he knows it far better than it knows him.

"Looking for an enemy isn't right," he said. "That spirit is very contagious. Don't provoke a Sudanese. If you try to attack him, oh, he will counterattack. I don't want all Sudanese to view America as the devil, as the enemy, as a target. Because this will also spread worldwide. And this will create trouble inside the United States."

On its face, the confrontation between the United States and the Sudan looks impossible to resolve. Under the surface, things are more subtle.

During the Cold War, the United States spent $15 billion buying or renting the allegiances of Sudanese governments. Back then, Mr. Turabi and his National Islamic Front would have been prime targets for a coup plotted by the CIA or a secret operation running guns and money to the rebels. Mounting such an operation today might be easier if there were proof that the Sudan is directly involved in terrorist acts against the United States.

But "we just don't know" what its role is, other than providing a toehold for Iran in Africa and maintaining dangerous liaisons with terrorist organizations, said a U.S. official responsible for analyzing the Sudan. And the CIA "can't envision any successor regime," the official said.

The hope that a friendly government could take power by force is "wishful thinking and self-delusion," said another official who studies Sudan closely. As for the southern rebels, "all the leaders hate each other," and their plans for taking power are only dreams, said a third U.S. official focused on Sudan. The three spoke on condition of anonymity.

Hilary Nyigito Paul Logali, a veteran leader of a southern rebel faction, concedes that "no side can win this war." Since cease-fire negotiations are going nowhere, he said, the best hope is that mounting internal and international pressure will lead the National Islamic Front to share power or even grant autonomy to the south.

"Of course," he said with a smile, "if they loosen the strings of political control, that's the end of the NIF."

How to impose that pressure is the question for Mr. Turabi's domestic and foreign opponents. They hope U.S. support for Sudan's unfriendly neighbors, combined with diplomatic and economic sanctions imposed by the United Nations, might get Mr. Turabi's attention in a way that recent bread riots and coup plots in Khartoum never did.

THERE is even some ferment among Mr. Turabi's longtime loyalists, like Tayib Zain Abdeen, a political scientist at Khartoum University whose credentials in the National Islamic Front are paid in full.

"Hassan Turabi is a person of vision," Mr. Abdeen said. "He likes to experiment with things. And he's a very daring person — almost too daring. His wilder visions have been implemented. And now he is being forced to change. Since 1994, you can see a change from his dreaming, visionary, romantic mood. He became wiser after seeing the consequences." The danger, he said, is that the pressure being applied to Sudan could cause an explosion.

Damage by Spy Suspect May Be 'Devastating'

By Charles W. Hall and Pierre Thomas
Washington Post Service

WASHINGTON — Federal investigators now believe that Earl Edwin Pitts, the espionage suspect who spent three years in an FBI counterintelligence unit, was in a position to do far more serious damage than was first disclosed, according to people familiar with the case.

Mr. Pitts held a part-time supervisory position that gave him direct access to the working files of a dozen counterintelligence agents in the late 1980s, officials said. Mr. Pitts continued to hold a top-security clearance until last year, prosecutors said, and he tried, but failed, to obtain a position that would have given him even greater access to security secrets.

Mr. Pitts, who was arrested last week at the FBI's academy at Quantico, Virginia, was ordered held without bond Monday by a federal judge after prosecutors argued that he might flee.

Magistrate Judge Thomas Rawles Jones Jr., in ruling that Mr. Pitts was likely to flee the country if released on bond, said Mr. Pitts "possesses information of a sort that could very well affect and endanger the safety of other people."

The federal indictment charging Mr. Pitts with attempted espionage alleges that he contacted Soviet agents in July 1987, about six months after he was assigned to a counterintelligence unit for the FBI.

After a former Soviet official told the FBI last year that Mr. Pitts sold secrets to the KGB, federal investigators began a 16-month sting operation in which they posed as Russian spy handlers seeking to resume the relationship.

Mr. Pitts had access to information on the identities and backgrounds of FBI counterintelligence agents and Soviet spies through his work in New York, where he had the authority to run the counterintelligence squad in his bosses' absence.

He had access to the case files of all agents in the squad and could offer advice on surveillance activities and approve payoffs to informants. In addition, on the days he ran the office, he would see all the incoming mail and sensitive communications sent to the squad.

"I'm not certain about how much access Pitts had to our deepest, darkest secrets, but from a tactical standpoint, the impact was probably devastating," a counterintelligence expert said.

Mr. Pitts's alleged spying began at a time when the Cold War was grinding to a halt, and FBI agents and their Russian counterintelligence counterparts in New York were engaged in a cat-and-mouse game of epic proportions, senior law enforcement and counterintelligence officials said.

Mr. Pitts could have provided critical details of FBI surveillance techniques, helping the Soviet Union to take countermeasures, sources said.

He would have known that FBI agents posing as business executives frequently entertained Soviet diplomats, that agents tried to place cameras in Russian vehicles and that agents worked as waiters in restaurants around United Nations headquarters.

Mr. Pitts's lawyer, Nina Ginsberg, challenged prosecutors' contentions that Mr. Pitts was "an eager participant" in a Russian spying scheme, arguing in court Monday that he voluntarily had applied in recent years for a series of jobs that took him further from counterintelligence work.

Not His Brother's Keeper

Salinas Denies Knowledge of Drug Accusations

By Julia Preston
New York Times Service

MEXICO CITY — Former President Carlos Salinas de Gortari has denied allegations that a high-ranking Mexican police commander advised him while in office of his brother Raul's possible links to drug traffickers.

Mr. Salinas sent a two-page letter to the editor of the Mexico City newspaper Reforma in reply to charges made by Guillermo Gonzalez Calderoni, who served as a top drug investigator in the first years of the Salinas administration.

According to an article published this week in The New York Times and The International Herald Tribune, Mr. Gonzalez said he sent a message to Mr. Salinas that a notorious cocaine trafficker had reported making cash payments to Raul Salinas de Gortari, the president's older brother. The trafficker, Luis Medrano, said he paid Raul Salinas to use his political influence to help a cocaine syndicate buy two strategically situated seaports in southern Mexico.

Mr. Gonzalez said the information was passed to the president through his superiors in the Mexican attorney general's office.

"I can affirm categorically that I never received that message," the former president wrote. "If I had received that information, I would have carried out my institutional responsibility to investigate and, if required, punish these acts."

While Mr. Salinas objected to Mr. Gonzalez's contention that he was informed of drug accusations against his brother while he was in office, he did not directly discuss the charge that Raul Salinas had dealings with traffickers.

Since his abrupt fall from grace just after the end of his presidential term in late 1994, Mr. Salinas has been living in exile in Ireland.

He accused Mr. Gonzalez of fabricating information, adding, "It should not be surprising" that no U.S. authority "ever presented me with that accusation" or any other specific charge related to my brother."

Three senior officials in the Salinas administration, including Controller-General Maria Elena Vazquez Nava, have said that they warned the president in 1991 and 1992 of persistent rumors that his brother was involved in corruption.

■ Servants Charged in Slaying

Three household servants have been charged in connection with the Dec. 4 bludgeoning deaths of a Mexico City family of five, which Mexican authorities had initially suggested may have been a drug-related mass slaying, The Washington Post reported.

The victims were a journalist, Yolanda Figueroa, who recently had published a book on drug-trafficking in Mexico; her husband, Fernando Balderas, a former police official who helped her research the book; and their three children — a girl, 18, and two boys, ages 14 and 8.

Ronnie Scott, Who Ran Jazz Club in London, Is Dead at 69

The Associated Press

LONDON — Ronnie Scott, 69, whose London club was a mecca for the world's leading jazz musicians, singers and their fans, has died.

The tenor saxophonist, a founding father of modern jazz in Britain, collapsed and died at his home in London on Monday night.

"Ronnie's death is a very big blow for all of us — it was so unexpected," said John Dankworth, bandleader, composer and a fellow saxophonist, who played alongside Mr. Scott since the late 1940s.

Mr. Scott, who was born in London's East End, opened Ronnie Scott's Club in a basement in London's Soho district in 1959. Inspired by the music of Charlie Parker and the New York bebop scene, by Dizzy Gillespie and by Thelonious Monk, Mr. Scott and his business partner, Pete King, turned the club into Britain's leading spot for modern jazz.

Mr. Scott recently stopped playing tenor saxophone, but last week was still introducing acts at the club with his catch phrase, "Quiet, please, you're not here to enjoy yourselves."

Margret Rey, 90, the Writer Of 'Curious George' Books

NEW YORK (NYT) — Margret Rey, 90, who teamed with her husband to create the "Curious George" children's books featuring an inquisitive little monkey, died Saturday at her home in Cambridge, Massachusetts.

She and her husband, H. A. Rey, created Curious George in the 1930s while living in Paris, where they had settled after their honeymoon. Just before the German invasion in 1940, the couple fled to the United States with the unsold manuscript. Houghton Mifflin published "Curious George" the following year and six sequels over the next 25 years.

Mrs. Rey also created 28 other "Curious George" books in collaboration with Alan Shelleck. These adventures also became an animated television series.

More than 20 million "Curious George" books have been sold in 12 languages. Mr. Rey, who illustrated the books, died in 1977.

The theme behind the "Curious George" books was elementary: A trouble-finding monkey who creates a mild uproar and has to be saved or saves the day.

Leonard Firestone, 89, Adviser To Presidents Reagan and Nixon

LOS ANGELES (LAT) — Leonard Firestone, 89, the tire magnate and philanthropist who was a confidant of several U.S. presidents, died Tuesday at his home in Pebble Beach, California.

The last surviving child of Harvey Firestone, who founded the tire company that bears his name, Mr. Firestone was named ambassador to Belgium in 1974 by President Richard Nixon, to whom he was a close adviser and financial supporter. He served as ambassador to Belgium until December 1976.

Mr. Firestone first attracted national political notice in the 1960s as a member of Ronald Reagan's original "kitchen cabinet" of close friends and advisers when he was governor of California.

Peter Eccles, 60, the Banker Who Devised Currency Swaps

NEW YORK (NYT) — Peter Eccles, 60, an international investment banker credited with devising a strategy to help companies reduce their financial risk from foreign currency fluctuations, died Dec. 13.

Mr. Eccles, whose varied career traversed both law and banking, worked as a lawyer at the World Bank and at the New York City law firm of Cleary, Gottlieb, Steen & Hamilton in the 1960s. He later joined Goldman, Sachs & Co. as a vice president, before moving to Ultrafin International Corp.

In the late 1970s, he joined Citicorp, where he devised the currency swap, which is now widely used to hedge risk in the foreign exchange market.

He discovered that global companies often had local currency reserves in certain countries that were blocked by exchange controls, in the same way that Citibank's own profits in some countries were blocked at times by government restraints on foreign exchange.

So he negotiated an exchange of money between two companies, each of which needed the other's currency.

Saudi Inquiry Is Put on Hold

The Associated Press

DUBAI, United Arab Emirates — Saudi Arabia will withhold the results of its investigation into the June 15 bombing that killed 19 U.S. service personnel until after the Muslim pilgrimage season for fear of unrest, people close to the inquiry have said.

They said Tuesday that the findings would be made public after the pilgrimage to Mecca, which begins in April.

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TRAVEL UPDATE

Strike at Israeli Airport

JERUSALEM (AFP) — Employees of Israel's Ben Gurion International Airport said they would strike Thursday for better work conditions, Israeli public radio reported. Aircraft will not take off from 7 A.M. to 4 P.M., but arrivals will be unimpeded, it said.

The national carrier, El Al, announced that it expected most of its departures scheduled for Thursday to take off before 7 A.M.

The airport management has gone to the Tel Aviv labor court to seek an injunction prohibiting a strike of more than three hours.

African Flights Grounded

ABIDJAN, Ivory Coast (Reuters) — A 48-hour strike by African air traffic controllers grounded flights at airports across much of West Africa on Wednesday, airport officials said. They were striking over pay and work conditions.

Officials said the strike had been called off at Abidjan, but flights there were still grounded by action elsewhere. French radio reported that Air France had canceled flights Wednesday to Abidjan and about half a dozen other West African destinations.

Storm Lashes Azores

LISBON (AP) — A fierce storm in the Atlantic closed airports and set ships adrift Wednesday off Portugal's Azores archipelago, where some islanders celebrated Christmas Eve in the dark after rains and winds downed power lines.

Hospitals treated 10 people for slight injuries caused by the weather, the Lusa news agency reported, and the authorities closed the archipelago's nine airports.

Seven people have been killed in torrential rains that have lashed Morocco over the past week, officials said Tuesday. The rains have also caused substantial material damage in several regions, as well as flooding around Casablanca. *(AFP)*

Thailand has declared next Monday a holiday to mark the 50th anniversary of the reign of King Bhumibol Adulyadej, although banks and the stock exchange will remain open. One event will be an exhibition of works by more than 400 Thai artists, including paintings by the king himself. *(AFP)*

Correction

An item in Good Travel Deals in the issue of Dec. 20 misstated the prices for the Inter-Continental "Heart of the City" program. All prices, such as £190 for the Forum Hotel in London, are per room per night.

WEATHER

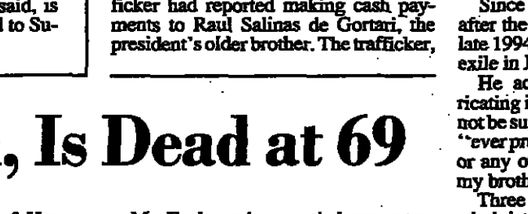
Europe

	Today High	Today Low/W	Tomorrow High	Tomorrow Low/W
	C/F	C/F	C/F	C/F
Algarve	17/62	12/53 c	18/65	7/44 sh
Amsterdam	-2/29	-4/25 s	0/32	-3/27 pc
Ankara	8/46	-2/29 sh	8/46	-2/29 sn
Athens	16/61	9/48 s	10/50	2/35 sh
Barcelona	7/44	-1/31 s	14/57	4/39 pc
Belgrade	-7/20	-17/2 sn	-10/15	-12/11 pc
Berlin	-6/22	-9/16 pc	-3/27	-7/20 s
Brussels	-2/29	-4/25 s	4/39	-1/31 pc
Budapest	-8/18	-16/4 pc	-9/16	-13/11 pc
Copenhagen	-4/25	-5/22 pc	-1/31	-5/24 p
Costa Del Sol	19/61	10/50 pc	22/71	9/48 sh
Dublin	6/43	3/37 pc	12/53	9/48 sh
Edinburgh	3/37	1/34 pc	7/44	7/44 pc
Florence	2/35	-4/25 pc	0/32	-5/24 pc
Frankfurt	-8/18	-11/13 pc	-3/27	-9/16 s
Geneva	-5/24	-10/14 pc	1/34	-4/25 s
Helsinki	-9/16	-16/4 pc	-4/25	-10/16 pc
Istanbul	14/57	8/43 sh	8/43	0/32 r
Las Palmas	23/73	18/64 s	20/68	13/55 pc
Lisbon	13/55	10/50 pc	15/59	5/41 sh
London	3/35	-1/31 s	8/46	6/43 pc
Madrid	9/48	-1/31 pc	16/61	2/35 pc
Mallorca	6/43	1/34 s	12/53	5/41 pc
Milan	-1/31	-7/20 s	-3/29	-7/20 s
Moscow	-18/0	-20/-3 pc	-11/13	-17/2 pc
Munich	-10/15	-18/0 pc	-6/22	-11/13 pc
Nice	6/43	-5/24 pc	8/46	1/34 s
Oslo	-2/29	-7/20 c	-3/27	-4/25 s
Paris	-4/25	-6/22 s	6/43	1/34 pc
Prague	-11/13	-17/2 s	-12/10	-10/15 s
Reykjavik	1/34	0/32 c	6/46	4/39 sh
Rome	7/44	-2/29 pc	4/39	-3/27 pc
St. Petersburg	-11/13	-16/4 c	-6/22	-12/11 s
Stockholm	-6/22	-13/9 pc	-2/29	-11/13 s
Strasbourg	-8/22	-10/15 pc	1/34	-5/24 pc
Tallinn	-9/16	-18/4 pc	-4/25	-9/16 pc
Venice	-2/29	-7/20 s	-4/25	-9/16 pc
Vienna	-9/16	-17/2 pc	-7/20	-7/20 pc
Warsaw	-13/9	-17/2 pc	-6/22	-9/16 s
Zurich	-7/20	-13/9 pc	-2/29	-4/25 pc

Middle East

Abu Dhabi	23/73	12/53 s	27/80	15/59 pc
Beirut	25/77	17/63 pc	23/73	14/57 sh
Cairo	28/82	15/61 s	23/73	12/53 pc
Damascus	22/71	11/52 c	18/66	7/44 pc
Jerusalem	21/70	11/52 s	18/64	8/46 pc
Luxor	29/84	13/55 pc	28/78	8/46 pc
Riyadh	24/75	10/50 s	24/75	12/53 pc

Forecast for Friday through Sunday, as provided by AccuWeather.



North America
Bitterly cold Friday and the weekend in Edmonton, Calgary and Winnipeg. More rain, some heavy, in Seattle and Portland, Oregon; Portland has already had record rainfall for the year. Sun in New York City Saturday; maybe a shower Sunday, then blustery and cold Monday.

Europe
A cold wave will continue across much of the continent, including in Paris, Milan, Geneva, Hamburg and Berlin, Friday through Sunday. A storm could produce a snowstorm in Istanbul Friday into Saturday. A cold wind in Rome and Athens late this week.

Asia
Sun will be the rule Friday through Sunday in Beijing, and it will be unusually mild for the season. Tranquil much of the time in Tokyo Friday through Sunday, although it could shower for a couple of hours. Chance for some rain in Hong Kong before the weekend is over.

North America

	Today High	Today Low/W	Tomorrow High	Tomorrow Low/W
	C/F	C/F	C/F	C/F
Anchorage	-6/22	-18/0 s	-13/9	-18/-2 pc
Atlanta	9/48	6/43 s	14/57	4/39 pc
Boston	2/35	0/32 pc	3/35	-4/25 pc
Chicago	-3/29	-9/16 sn	2/27	-3/29 pc
Dallas	15/61	7/44 pc	18/64	8/46 pc
Denver	8/46	-4/25 pc	14/57	-2/29 pc
Detroit	-3/27	-9/16 sn	2/35	-3/27 pc
Honolulu	29/84	21/70 t	27/80	18/64 pc
Houston	18/64	13/55 c	20/68	11/52 c
Los Angeles	19/66	7/44 pc	21/70	8/46 pc
Miami	28/79	20/68 pc	29/82	19/64 pc
Minneapolis	-17/2	-22/-7 pc	-1/31	-8/18 pc
Montreal	-10/15	-10/15 sn	-7/20	-11/13 pc
Nassau	27/80	21/70 pc	28/79	18/64 pc
New York	2/35	-1/31 pc	4/39	-2/29 pc
Orlando	28/79	13/55 pc	24/75	10/50 pc
Phoenix	23/73	8/46 s	22/71	8/46 pc
San Fran.	13/55	6/43 r	14/57	7/44 pc
Seattle	6/43	3/37 sh	7/44	2/35 r
Toronto	-5/24	-7/20 sn	1/34	-2/29 pc
Vancouver	4/39	2/35 sn	7/44	-1/31 r
Washington	2/35	-1/31 c	6/43	0/32 pc

Asia

	Today High	Today Low/W	Tomorrow High	Tomorrow Low/W
	C/F	C/F	C/F	C/F
Baa	33/91	22/71 pc	33/91	22/71 pc
Bangkok	27/80	17/63 s	30/86	22/68 pc
Beijing	12/53	1/34 pc	7/44	-5/24 s
Bombay	32/89	18/64 s	31/88	17/62 pc
Calcutta	28/79	19/66 s	26/77	12/53 pc
Chiang Mai	27/80	15/59 s	30/86	16/64 pc
Colombo	29/82	22/71 c	29/84	22/71 pc
Hanoi	23/73	16/61 s	19/66	14/57 pc
Ho Chi Minh	31/88	20/68 pc	31/88	22/71 pc
Hong Kong	19/66	14/57 s	19/66	13/55 pc
Islamabad	23/73	4/39 s	21/70	7/44 r
Jakarta	28/82	23/73 sh	29/84	24/75 c
Karachi	27/80	11/52 s	26/79	12/53 pc
K. Lumpur	31/88	22/71 t	31/88	23/73 pc
K. Kinabalu	27/80	22/71 sh	29/82	23/73 pc
Manila	29/82	19/66 pc	30/86	20/71 pc
New Delhi	23/73	6/43 s	22/71	6/43 pc
Phnom Penh	29/84	17/62 s	27/80	21/70 pc
Phuket	27/80	17/62 s	30/86	20/68 pc
Rangoon	28/82	17/62 s	31/88	21/70 pc
Seoul	2/35	-6/22 pc	6/43	-6/22 pc
Shanghai	10/50	3/37 pc	10/50	2/35 s
Singapore	29/84	23/73 sh	29/84	23/73 pc
Taipei	20/68	14/57 sh	18/64	13/55 pc
Tokyo	7/44	-4/25 s	6/43	1/34 s
Vientiane	21/70	10/61 s	19/66	14/57 pc

Africa

Algiers	13/55	3/37 pc	21/70	9/48 pc
Cape Town	27/80	15/59 s	25/77	11/52 pc
Casablanca	20/68	13/55 s	21/70	6/43 sh
Harare	27/80	9/48 pc	28/79	10/50 pc
Lagos	31/88	23/73 pc	31/88	23/73 pc
Nairobi	27/80	12/53 pc	29/79	13/55 pc
Tunis	13/55	3/37 t	13/55	5/41 s

Latin America

Buenos Aires	31/88	19/66 s	31/88	19/66 pc
Caracas	29/84	22/71 pc	29/84	23/71 pc
Lima	23/73	18/64 c	24/75	18/64 pc
Mexico City	19/66	6/43 pc	19/66	6/43 pc
Rio de Janeiro	32/89	24/75 pc	28/82	22/71 pc
Santiago	31/88	12/53 s	31/88	12/53 pc

Oceania

Auckland	20/68	14/57 pc	21/70	15/59 pc
Sydney	28/77	14/57 t	24/75	21/70 pc

Legend: s-sunny, pc-partly cloudy, c-cloudy, sh-showers, t-thunderstorms, r-rain, sf-snow flurries, sn-snow, i-ice, W-Weather. All maps, forecasts and data provided by AccuWeather, Inc. © 1996

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THE AMERICAS

A Heinous Crime, Or Just Hubris?

Opinion on Gingrich's Sins Is Divided Along Party Lines

By David E. Rosenbaum
New York Times Service

NEWS ANALYSIS

WASHINGTON — The Republican view of the ethics case against Newt Gingrich is that the speaker of the House merely violated an obscure portion of the tax code and inadvertently provided the House ethics committee with less than a complete account of the situation because he was so busy with more important matters, like leading the Republican Revolution.

Democrats hold that Mr. Gingrich defrauded the taxpayers for his political advancement and then lied to the ethics committee when he was questioned about it.

The case is probably not nearly so benign as the Republicans portray it nor so venal as the Democrats make it out to be.

The tax rules that the Georgia Republican seems to have skirted are not the kind that normally lead to prosecution. Tax lawyers say that if the Internal Revenue Service found that the speaker had actually violated the law, he would probably be required to do no more than promise never to do it again.

Still, it would not have required intimate knowledge of tax law for Mr. Gingrich to have known that tax-deductible charitable donations to universities and a foundation to help poor children cannot legally be used for partisan political purposes.

On another question, Mr. Gingrich did not tell the truth to the ethics committee when he denied that a political committee had been involved in arranging a college course he taught. The speaker himself has acknowledged that he submitted "inaccurate, incomplete and unreliable" information. As a political matter, dissembling to one's colleagues in an official proceeding is a serious offense.

But anyone who had followed Mr. Gingrich's activities knew that his teaching activities were financed with political money. In fact, he himself had told the committee that a political action committee he headed, GOPAC, had helped raise money for his college course just a few weeks before he denied the connection. So this hardly rises to the level of a scandalous whopper.

The real issue is this: Mr. Gingrich has made a career of charging his political opponents with being ethically corrupt. His biggest scalp was Jim Wright's. He brought down the Democratic speaker of the House in 1989 with accusations that Mr. Wright had used his office to pad his pockets.

At the same time, Mr. Gingrich has often seemed to take the view that normal ethical constraints did not apply to him. For instance, just after Republicans won control of the House two years ago, he agreed to accept a $4.5 million advance payment from Rupert Murdoch's publishing company for a book he planned to write. Mr. Gingrich defended the arrangement for weeks before he later dropped it in the face of bipartisan criticism.

He has also been criticized by the ethics committee for, among other things, making a sales pitch for tapes of his lectures in a speech on the floor of the House and allowing a business executive to use his office to conduct personal business.

So Mr. Gingrich is really being charged with hypocrisy and hubris. In some quarters at least, it is seen as a case of the chickens coming home to roost.

After two years of off-and-on inquiry, Mr. Gingrich reached agreement Saturday — essentially a plea bargain — with an investigative subcommittee of the ethics committee composed of two Republicans and two Democrats. Mr. Gingrich signed a "statement of alleged violation" and conceded that he had acted improperly under the rules of the House.

The facts in the case go back to 1990, when Mr. Gingrich was the inspirational leader of House Republicans, who had been mired in the minority for a generation.

Mr. Gingrich began a series of satellite television broadcasts intended to bring voters into the Republican Party. GOPAC, the political committee Mr. Gingrich then led, initially paid for the broadcasts, but it ran out of funds.

So Mr. Gingrich turned for financing to the Abraham Lincoln Opportunity Foundation, a tax-exempt foundation set up to help inner-city youth.

The head of the foundation was Howard (Bo) Callaway Jr., a friend of Mr. Gingrich who is a former congressman from Georgia now living in Colorado.

Three years later, Mr. Gingrich began teaching a course about renewing American civilization by replacing a welfare state with what he called an "opportunity society." That was also GOPAC's theme.

Under the law, tax-deductible contributions, like those given to foundations and colleges, cannot be used for noncharitable enterprises like political projects.

The extent to which the course was political on the one hand and educational on the other is open to interpretation. The subcommittee found that at least in part the course was a means of developing and disseminating a partisan political message.

Erik Lesser/The Associated Press
Mr. Gingrich talking to reporters outside his house.

U.S. Bars Funds for 'Black English'

By John F. Harris
Washington Post Service

WASHINGTON — Declaring that "black English" is a form of slang that does not belong in the classroom, President Bill Clinton's administration has ruled that school districts that recognize the idiom in their teaching cannot do so with federal funds targeted for bilingual education.

The school board in Oakland, California, sparked a linguistic controversy last week with a unanimous vote that black English, also known as Ebonics, is not merely a dialect but a language, rooted in a distinct African-American culture.

Students who speak it, the board said, should not be criticized or harshly corrected but given special assistance to learn standard English, in much the same way as a student who had moved from Mexico and spoke only Spanish would receive training in English as a second language. Board members said Oakland would seek federal funds to help pay for such a program.

Education Secretary Richard Riley, however, killed off that hope even before the Education Department had received an official funding request.

"Elevating 'black English' to the status of a language is not the way to raise standards of achievement in our school and for our students," Mr. Riley said in a one-paragraph statement Tuesday. It concluded with the declaration, "The administration's policy is that 'Ebonics' is a nonstandard form of English and not a foreign language."

The black English controversy has divided African-American leaders. Some have said that recognizing that black students speak differently is the first step toward increasing low scholastic achievement among black pupils. In Oakland, for instance, about 53 percent of the district's 52,000 students are black, and school officials said these students on average had the lowest grades.

But other African-American leaders, including the Reverend Jesse Jackson, said the movement toward Ebonics would limit black students' ability to compete for jobs against people who had mastered standard English.

"I understand the attempt to reach out to these children, but this is an unacceptable surrender borderlining on disgrace," Mr. Jackson said Sunday. "It's teaching down to our children, and it must never happen." Oakland school officials could not be reached for comment, as offices were closed for the Christmas holiday. Several school board members did not return calls made to their homes and offices seeking comment.

David Frank, a spokesman for Mr. Riley, said the Education Department's decision paralleled a ruling made by the department in 1981 during President Ronald Reagan's administration. Mr. Clinton signed off on the policy statement Monday, an administration official said.

Ebonics, according to its devotees, explains why some blacks use variations on the verb "to be" in ways at odds with spoken English. Oakland in recent years carried out a trial program with about 100 teachers, who used classroom exercises to help students make the transition from black English to standard English. The program also helps teachers work with parents who speak black English. In earlier interviews, Oakland officials said the trial program had succeeded in raising language scores on tests.

California's governor, Pete Wilson, was no more encouraging about Oakland's experiment than Mr. Clinton. Mr. Wilson said he would fight any attempt by Oakland to get state funding for its Ebonics program.

Clinton Met Donor Of Illegal Funds

Was President Aware of Problems?

By Alan C. Miller
Los Angeles Times

WASHINGTON — Contrary to previous accounts by Democratic Party officials, President Bill Clinton privately met the head of a South Korean company at the fund-raising event for which the firm made its illegal $250,000 campaign contribution, White House and party officials have acknowledged.

Mr. Clinton was introduced to John Lee, the chairman of Cheong Am America Inc., and several associates outside the ballroom of the Sheraton Carlton Hotel in Washington on April 8. John Huang, the Democratic National Committee fund-raiser who arranged both the contribution and the brief encounter, joined Mr. Clinton, a spokeswoman said Tuesday.

At that time, the mayor of Carson, California, Mike Mitoma, who was working with Mr. Lee to put a manufacturing plant in his city, introduced the Cheong Am executive to Mr. Clinton.

The president "does remember saying that 'Mayor Mitoma tells me you're thinking about locating your company in the Carson city area,'" a senior White House official said, summarizing Mr. Clinton's meeting with Mr. Lee, adding that the Democrat said, "We sure hope you'll do it."

According to an internal Democratic National Committee document, Mr. Huang apparently knew that the company had yet to do any business in the United States — which made its contribution to a U.S. election campaign illegal.

The committee returned the $250,000 in September after reports that the funds came from the company's parent company in South Korea rather than from revenue produced by Cheong Am America.

This new account edges Mr. Clinton closer to the expanding dispute over foreign contributions to the Democratic Party. It also raises a potentially troubling question: Was the president, either before or during his exchange with Mr. Lee, given sufficient information about the status of Cheong Am's nascent operations in the United States to question the legality of the contribution?

The White House official said Mr. Clinton's comment to Mr. Lee did not indicate that the president was aware that the U.S. subsidiary was not yet operating in the United States and that the campaign donation therefore came from overseas.

It could not be determined immediately whether Mr. Huang or anyone else at the Democratic National Committee or the White House briefed the president about Cheong Am's circumstances before the fund-raiser.

It is also uncertain precisely what Mr. Mitoma told Mr. Clinton that evening.

Mr. Mitoma, whose role in both setting up the introduction to Mr. Clinton and handling the contribution appears to have been greater than he had previously disclosed, could not be reached. He said in a previous interview that he worked with Cheong Am as a private international consultant as well as in his capacity as mayor before severing his ties with the company last spring.

POLITICAL NOTES

Gun Lobby Fires a Few Blanks

WASHINGTON — Is the National Rifle Association, long imbued with the power to propel or shatter political careers like so many clay pigeons, starting to lose its aim?

Now that the last of the 1996 congressional races has been settled, some of the association's sworn enemies in the gun-control lobby say they are beginning to think so.

With the defeat of Representative Steve Stockman, a Republican freshman from southeast Texas, in a runoff contest this month, 19 of the rifle association's most reliable supporters have lost bids for re-election to the House of Representatives. A handful of others retired or withdrew.

But the rifle association picked up supporters in the Senate, where moderates from both parties retired and were replaced by legislators who look askance at federal regulation of guns and most everything else.

Also, close to half of the association's supporters who were defeated in the House are being succeeded by equally adamant opponents of gun control. *(NYT)*

Where's Socks? Who's the Dog?

WASHINGTON — If you were one of the lucky 300,000 to get a Christmas card from President Bill Clinton this year, the first question you probably have is: "What's that dog doing there hiding in the presents below the Christmas tree?"

The dog's name is Shadow and belongs to Thomas McKnight, who painted the White House Green Room for this year's Clinton Christmas card.

Last year, Mr. McKnight put Shadow in the background and placed the Clintons' cat, Socks, out front. This year Socks is the afterthought (off to the side), and Shadow is the main man.

Mr. Clinton has not used a family portrait for his card since 1993. *(WP)*

Quote/Unquote

Lanny Davis, a White House aide, defending the Democratic National Committee for letting fund-raisers bring potential donors to the White House: "Two very important facts must be understood about these DNC events in the White House: No solicitation for money has ever been, to our knowledge, made in the White House or by the White House, and no governmental action ever resulted from a contribution." *(WP)*

Peru Slum View: 'We Don't Need More Violence'

By Clifford Krauss
New York Times Service

VILLA EL SALVADOR, Peru — Twelve miles and a universe away from central Lima, where guerrillas have taken hostages in the stately residence of the Japanese ambassador, Felicita Fuentes Torres picked through piles of garbage for empty cans and bottles to resell.

"God knows, we don't need more violence," said the 44-year-old Indian woman, who said she was trying to earn a few extra centavos to put together a decent Christmas dinner for her family.

"I don't have the education to understand if the guerrillas or the government help us or not," she said. "All I know is we need food, water and light."

While wrapping gifts and cooking ducks that once lived in their yards, Villa El Salvador residents listened intently to their transistor radios to hear the latest news on the rebels still holding more than 100 ambassadors, judges, congressmen, generals and business executives.

Many in Villa El Salvador voiced sadness that there had been little progress in the mediation efforts of the Red Cross as the rebels of Tupac Amaru Revolutionary Movement continued to demand that hundreds of their jailed comrades be freed before they release the rest of their hostages.

Mrs. Fuentes's expressions of confusion and fear about the week-old hostage standoff and 16 years of guerrilla war seemed typical of the opinions of most of the desperately poor people who live in this vast field of bamboo-thatched shacks built precariously on a sand dune.

Like thousands of other residents of Villa El Salvador, Mrs. Fuentes came here to escape the violence and poverty of the Andes, the results of decades of inadequate government economic policies and the fanatical violence of two competing Marxist guerrilla groups.

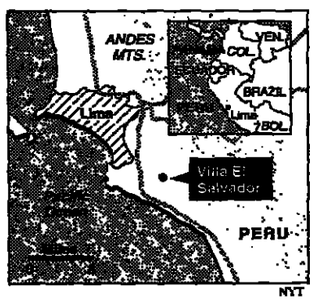
"They say they are fighting for the poor," said Romolo Solorzano, 64, a furniture maker who smiles through rotting teeth. "But nobody fights for the poor."

Victor Condori Chavez, 23, a shoemaker, said, "What they are doing will only leave the country in worse shape."

In a communiqué issued along with the release of 225 hostages Sunday, the rebels said their struggle was for the poor and "against a system that marginalizes the great majority of Peruvians."

Seeking the maximum propaganda benefit from their attack after years of defeats, the guerrillas added: "For that reason, we are continuing our fight" and "seek to advance a process for peace with social justice."

Such sentiments have been echoed by many leftist politicians who have won office here and in other shantytowns that ring Lima. But any potential political and military comeback that the Tupac Amaru rebels seek from their attack on the Japanese ambassador's party will probably be limited in Lima's satellite slums. That is because people in Villa El Salvador lump the Tupac Amaru movement with the more violent Shining Path, a competing Maoist group that is roundly hated for its assassinations of several local leaders six years ago, including Villa El Salvador's popular deputy mayor, Maria Elena Moyano.



NYT

"Everyone hopes the rebels release the people today," said Berta Rodriguez, 32, a seamstress, as she and her neighbors slow-roasted a pig in the street for a Christmas block party.

"But if they really fought for the poor, they wouldn't assassinate our community leaders," she said. "They would fight for peace, not for war."

But while people in Villa El Salvador voiced little if any sympathy for the rebels, they also expressed little empathy for the hostages, all of whom have wealth unimaginable by Peruvian standards.

Poverty took something of a holiday Tuesday as the residents of Villa El Salvador went to the local market in droves to buy the food for what many described as the most sumptuous meal their families would eat all year.

"Hopefully, God will protect the hostages," said Maria Torres Llapapasca, who was holding a final sale on Nativity scenes, complete with Peruvian touches like llamas and cactus plants.

"The guerrillas say the government does nothing for the poor. But that's not true. The government hands out food, and chocolate to the children for Christmas."

The most compassion that anyone expressed about the guerrilla cause came from Celia Chigua Villagaray, a cook who proudly hangs a photograph of her husband, a retired soldier, in fatigues brandishing an assault rifle on her wall. She said she hoped that the government would drop its position not to compromise.

"The government should talk to them," she said, "because this could end violently. There is so much injustice here, and according to what I see on television, a lot of innocent people are in jail."

Dining Out

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Away From Politics

• A ruling that barred the state of California from rolling back affirmative-action programs has been expanded by a federal district judge in San Francisco. The ban is to remain in place until the courts decide on a suit filed by a coalition of civil-rights groups. *(NYT)*

• Two Honolulu newspapers that entered into a joint operating agreement cannot be required by the state of Hawaii to make financial disclosures on the arrangement, a federal appeals court in Honolulu has ruled. *(AP)*

• Citrus growers in Florida are expecting their biggest crop ever, largely because trees planted after a freeze in 1989 are maturing and bearing fruit. *(NYT)*

• A package bomb sent to a family on Christmas Eve exploded in Clifton Park, New York, seriously injuring a 10-year-old girl, the authorities said. *(AP)*

AMERICAN TOPICS

Gold Rush Town Gives Past a Second Thought

Like Tombstone, Arizona, and Deadwood, Colorado, the California Gold Rush town of Placerville has its roots in a rough-and-tumble era of hard men, simple values and summary justice.

Placerville has not shied from that past — a past that includes the notorious lynching, one cold January day in 1849, of three suspected murderers who were flogged after a hasty public trial and then strung up from a tree on the Main Street, the first mass hanging in the California territory.

But now the people of Old Hangtown, as some call it, are divided over how to preserve that past. There is a growing cry for the removal of a weathered wooden effigy that has been hanging for more than 60 years from a noose over Main Street in grisly tribute to the dead men.

In Hangman's Tree tavern, Ruby DeCair, the owner, cuts clippings about the case and argues, "If we took that dummy down, it would offend a lot of people."

Other locals would like to see the town gentrified — which is a bit hard to do in the shadow of a hanging reminder of a violent past. Those who cling to the town's harsh old image, says Jim Walmsiedler, 79, "have to wake up and smell the cappuccino."

For now, the prevalent view seems to be summed up by a modest monument near Hangtown Creek, at a spot where the three men reputedly are buried.

"Let us not judge them too harshly," it reads, "for those were the rough days of the Gold Rush."

Short Takes

Hangtown isn't the only site of resounding historical significance in California. In the city of Downey, a southeastern suburb of Los Angeles, the world was changed — at least the world of food — when a low-price hamburger stand opened in 1953 under a pair of golden arches and a sign bearing the name McDonald's.

But two years ago, the now monstrously big corporation that grew out of that humble beginning announced that it was closing the Downey restaurant, which was doing poorly and had suffered earthquake damage.

Locals objected and gained the support of a regional group dedicated to preserving significant architecture. The restaurant reopened earlier this month, largely faithful to its original approach: no drive-through window, no children's playground, not even a Ronald McDonald. But yes, milkshakes made individually, by employees wearing bolo ties and paper hats.

The federal Fish and Wildlife Service hopes to begin releasing the rare Mexican gray wolf into national forests in New Mexico and Arizona by 1998. The Mexican gray had been hunted intensely until, by 1960, only seven were believed to have survived.

There are now 149 of the wolves in zoos, where the normally fierce predators are fed by hand. They are thus not expected to fare as well as an earlier group of wolves, northern grays, that were returned to Idaho and Yellowstone National Park a few years ago. Those wolves had been living in the Canadian wilderness when captured.

International Herald Tribune

ASIA/PACIFIC

In Beijing, Christmas Midnight Mass Is the Hottest Ticket in Town

By Edward Cody
Washington Post Service

BEIJING — As strains of Christmas carols wafted through a frigid Beijing night, hundreds of Chinese pressed for a view of midnight Mass. The faithful — and the curious — were so numerous at the Roman Catholic service that they spilled out of the Cathedral of Our Savior into the walled garden and surrounding streets.

In upscale apartments elsewhere around town, Chinese children went to bed with visions of Christmas trinkets and a celebration around the artificial family tree, decorated with spangles from southern China's booming export zone. Parents of the lucky ones had taken them to dinner at the city-center pizza parlor, where waitresses all wore Santa hats and a young man in a Saint Nick costume handed out candy to children as they left.

It's beginning to look a lot like Christmas in the capital of godless communism.

What started out as a friendly gesture or a business ploy aimed at Christian expatriates has in recent years evolved into a Chinese phenomenon. Although it has nothing to do with their Confucian and Buddhist roots, and even less to do with the revolutionary zeal of their more recent past, Chinese families in growing numbers are celebrating Christmas.

As in Japan, and to some extent in other Asian countries that have leaped forward economically, Chinese have embraced Christmas in celebration of prosperity, fun and commercial Western ways — not religion.

Relatively few here have adopted the feast to mark the birth of Jesus. In this country of 1.2 billion people, estimates indicate there are at least 10 million baptized Christians — around 1 percent of the population. Even some secular themes of Christmas in the West, such as goodwill toward men and seasonal sharing, seem to have been lost in the move eastward.

"I think celebrating Christmas here in Beijing is like a fashion," said Wang Xue Zhu, who works in public relations for China operations of the European aeronautics firm Airbus Industrie. "It's like McDonald's or Kentucky Fried Chicken: when they came to Beijing, people rushed to go there, not because they enjoyed the food, but for the experience."

As a result, Christmas trees have sprung up at the entrances to shopping centers and hotels. Baubles have been strung over shop windows here and there across Beijing, even in areas where foreigners are scarce. The image of a jolly Santa Claus — his bulbous red nose and fluffy white beard pegging him as a Westerner — has popped up along streets around the capital.

"Just as in the West, Christmas has gone beyond religion," said Zheng Shaoxi, secretary-general of the Beijing unit of the Catholic Patriotic Association, whose members are state-sanctioned churches, not those loyal to Rome. "It has become a traditional holiday."

Also as in the West, many Chinese parents have started using the occasion to offer gifts to their children. Christmas cards have gone on sale in many shops. The official China Daily Business Weekly reported that so many students at Beijing Normal University send cards that the campus post office this year added two mailboxes to handle the flow. The Pakson Store in downtown Beijing sold out its synthetic trees at $12 apiece, the business weekly added.

Liu Xiao Ying, who works at a Chinese-Japanese real estate firm here, stopped in the Civik shopping mall the other day to buy decorations for her apartment and small gifts for her child. She said her husband spent time in Japan, where he learned about Christmas, and now the family does it every year.

Mao Hong Bing, who was doing a brisk business at the entrance to Civik selling Christmas trinkets from his Chinese-German firm in the southern city of Shenzhen, said most customers were middle- and upper-class Chinese. "These kinds of people have adopted the Western concept," he added, smiling as the money piled up.

Although they have demonstrated increasing nervousness in recent years over the spread of unsanctioned Christianity — and although Christmas remains a work day here — China's Communist authorities have done little or nothing to combat the Christmas fad.

For one thing, Christmas has touched mainly an urban elite. For another, Christmas has in many ways become popular precisely because of the official doctrine, as updated by Deng Xiaoping, that rich is good and Western ways are not all bad.

Similarly, Chinese church authorities have applauded the holiday's growing acceptance, even though for the overwhelming majority it is more commercial and fashionable than religious.

"Yes, it's commercial activity," said the Reverend Du Feng Ying, who ministers to the congregation at Gan Wa Shi church as Beijing's only female Protestant pastor. "But by promoting Christmas products in the media for advertising, they also make known Jesus Christ. And people who didn't know anything about it are curious, and they come to take a look."

The Reverend Peter Fang, who is on the staff at the state-sanctioned Catholic cathedral, agreed. "As Catholics, we welcome all the decorations and activities," he said.

As Ms. Du suggested, the reasons are easy to divine. A normal Sunday at the cavernous cathedral draws several thousand people for four Masses, one in Latin and three in Chinese. But midnight Mass this Christmas was such a hot attraction it had to be regulated by tickets handed out earlier in the day.

BRIEFLY ASIA

China Set to Pass Anti-Corruption Bill

BEIJING — Parliament is set to pass an anti-corruption bill that will allow prosecutors to check and freeze banks accounts of suspects, the Xinhua press agency said Wednesday.

The bill, part of a series of anti-crime laws expected to be passed by the National People's Congress, would let prosecutors investigate suspects' bank accounts and ask courts to freeze them when looking into corruption, bribery and embezzlement, the report said. It did not elaborate. A standing committee is reviewing the bill, and passage is expected in the weeklong session of Parliament that began Tuesday.

The draft laws also call for renaming the offense of "counterrevolution" to "jeopardizing state security." Penalties under the charge most commonly used against political dissidents will not change. *(Reuters)*

Philippines Opens Runway on Spratlys

MANILA — The chief of the Philippines' armed forces formally opened a runway Wednesday on one of the disputed Spratly Islands and pledged to develop the area as a tourist destination, government television said.

General Arnulfo Acedera also brought Christmas gifts to soldiers stationed on the Kalayaan island group, west of the main southwestern Philippine island of Palawan.

Manila claims ownership of the eight-island Kalayaan group in the Spratlys, a cluster of potentially oil-rich but largely uninhabited isles, shoals and reefs in the South China Sea. The Spratlys are claimed wholly or in part by China, Taiwan, Vietnam, the Philippines, Malaysia and Brunei. *(Reuters)*

Japan's 2d-Largest Political Group to Split

TOKYO — Former Prime Minister Tsutomu Hata plans to launch a party Thursday in a move that will mark a major breakup of Japan's second largest political group, one of his aides said Wednesday.

The party, which is expected to be named Taiyo, or the Sun, is likely to include about 15 other members of the two-year-old New Frontier Party, the aide said. The move came after the leader of New Frontier, Ichiro Ozawa, failed to persuade Mr. Hata to stay at a series of meetings held since last week. *(AFP)*

16 Indonesian Asylum-Seekers Are Held

KUALA LUMPUR — Police detained 16 Indonesians trying to break into the closed French, Dutch, Swedish and British embassies Wednesday, apparently to seek political asylum.

The Bernama news agency said the men were from Aceh, a region of Indonesia where guerrillas are fighting for independence. Bernama quoted a police spokesman as saying the men probably would be deported. *(AP)*

For the Record

Washington has agreed to let Lien Chan, vice president and prime minister of Taiwan, stop over in two U.S. cities during his trip to Nicaragua in January, a newspaper in Taiwan reported Wednesday, quoting unidentified U.S. officials. Beijing, which considers Taiwan a renegade province, strongly objects to Taipei officials visiting countries that have diplomatic ties with Beijing. *(Reuters)*

Cult Follower In Japan Gets Six Years for Fatal Torture

Compiled by Our Staff From Dispatches

TOKYO — A Japanese court Wednesday sentenced a follower of the Aum Shinrikyo cult to six years in prison for joining in the fatal torture of a fellow cult member.

The follower, Shinichi Yamauchi, 28, was convicted of conspiring with senior cult members to torture Toshio Tomita, 27, because the cult leader, Shoko Asahara, suspected that Mr. Tomita was a spy for the police.

The ruling was the first time the Tokyo District Court had acknowledged that Mr. Asahara had ordered the killing of Mr. Tomita. Mr. Asahara and his aides are charged with murder in the 1995 poison gas attacks in Tokyo subways that killed 12 people.

In previous court sessions, prosecutors described how cultists acting under Mr. Asahara's orders stuck needles under Mr. Tomita's toenails and burned him with heated metal to try to make him confess.

Mr. Yamauchi was also accused of using a large microwave oven to dispose of the bodies of Mr. Tomita and another member who investigators say was killed by the cult, Kotaro Ochida.

The prosecution had demanded an eight-year sentence for Mr. Yamauchi, but Judge Yasuro Tanaka ordered a shorter sentence, noting that Mr. Yamauchi had left the cult and expressed remorse for the crimes.

The trial of Mr. Asahara began in April, but a verdict is not expected for many months. Meanwhile, the bankruptcy administrator of Aum Shinrikyo announced that some of the cult's offices would be dismantled beginning Jan. 6. *(AP, AFP)*

L. A. Dent/Agence France-Presse

PRAYERS AND WISHES — Mother Teresa blessing followers who gathered Tuesday at the Missionaries of Charity in Calcutta. The 86-year-old nun is recovering from heart, respiratory and kidney ailments.

Pakistan Unable to Dig Up Corruption

By John F. Burns
New York Times Service

ISLAMABAD, Pakistan — Six weeks after Pakistan's president dismissed the government of Prime Minister Benazir Bhutto, the caretaker administration appointed to root out corruption has acknowledged that the effort has been largely unavailing.

The new government has not been able to gather enough evidence to act against top politicians, including Miss Bhutto and her husband, Asif Ali Zardari, saying that documents that might have incriminated them were missing from government offices.

The admission by Prime Minister Malik Meraj Khalid appears to mean that a general election scheduled for Feb. 3 will once again be a contest mainly between Miss Bhutto's Pakistan People's Party and the Pakistan Muslim League, led by former Prime Minister Mian Nawaz Sharif.

Many Pakistanis thought it probable that both Miss Bhutto and Mr. Sharif would be disqualified from participating in the election. But allegations against the two leaders have failed to produce evidence to justify prosecuting them, say officials of the accountability commission that the interim government established.

Mr. Khalid said that investigators have had trouble coming up with evidence because documents that might have been proof of kickbacks and bribes had been removed from government files before investigators could get access to them.

Only two weeks ago, Pakistani newspapers were quoting people close to President Farooq Leghari, who ousted Miss Bhutto's government, as saying that up to 90 people might be barred from running in the election because they had fallen afoul of the accountability process.

Now, Mr. Khalid is telling audiences that it is up to the voters to punish corrupt politicians by denying them reelection. He said the 90-day limit for caretaker governments set by Pakistan's constitution was too brief for effective action against corruption.

The caretaker leader's stand has provoked a wave of criticism, with many who had applauded the Bhutto government's dismissal now saying that the 80-year-old Mr. Khalid and the interim cabinet have squandered an opportunity to set a new course.

■ Minister Is Freed on Bail

Miss Bhutto's minister for science and technology has been released on bail in a controversial land deal, Agence France-Presse quoted officials in Islamabad as having said Wednesday.

The minister, Nawaz Khokar, was arrested last month on charges of acquiring land outside Islamabad through illegal means and evading taxes involved in the transaction.

RUSSIA: *The New Battle of Stalingrad Is Fought Against Poverty*

Continued from Page 1

here — and all over Russia — are borrowing money from the elderly whom they were raised to revere and protect.

"We should be supporting them, and instead we are living off them," Yelena Razvalayeva said. "It is horribly shameful." A widowed mother of two who works as an engineer at the Volgograd Tractor Factory and has not been paid since August, Mrs. Razvalayeva was frank about how she manages.

"I don't pay bus fares," she said, "and I'm not embarrassed about it. But my parents have given up their burial money to keep us going."

A presidential commission has reported that 62 percent of Russians have not received their wages for September. Some 400,000 coal miners, who had not been paid for eight months went on strike at the beginning of December, but most went back to work after the government pledged to send them $240 million by the end of the year.

On Dec. 6, more than a dozen unpaid employees at St. Petersburg's nuclear power plant took over the control room and threatened to cut power to most of the city. By noon the government had flown in more than $200,000.

The government, deeply in debt and staggering under a huge deficit, is acutely aware of the rising tide of anger and despair. Prime Minister Viktor Chernomyrdin recently promised that all wage arrears and delayed pensions would be paid in December, but 80 percent of the debt is owed by failing companies and factories, not the state.

Mr. Chernomyrdin did not explain where the money would come from.

Few Russians really believe it will happen. If it does, they are certain that the delays will begin again in January. Even government economists agree with them.

"Nothing is going to change until we get new management at these plants," said Mikhail Delyagin, an economic adviser to President Boris Yeltsin. "The old Red directors will never be able to get these industries back on their feet."

At the Volgograd Tractor Factory, once a showcase of the Soviet Union, production has fallen from 300 tractors a day in 1990 to 25. In the plant's heyday, 30,000 people worked there; now there are 12,000. In December they finally received a $30 payment on their August salaries. They have no idea whether they will get any more money before the year's end.

Asked how she was planning for the holidays without a salary, Taisiya Beketova, 48, an assembly line worker for the last 32 years, silently held up her bare hands.

"I pawned my wedding ring and my mother's gold earrings," she said. "What else can I do?"

Pawnshops, state-owned and interest-free in Soviet times, have sprung up all over Russia. They are now privately owned, often by banks, charge 20 percent interest and offer clients less than 50 percent of their goods' real value.

They have plenty of clients nevertheless. There is one in every neighborhood of Volgograd, a city of more than 1 million. In the pawnshop nearest the tractor factory lie trays of wedding rings, gold crosses, an icon, fur coats and a few VCRs.

These factories still provide some of the basic Soviet-era social services — low-cost apartments, garden plots, free summer camps and cheap health care that the government cannot afford to replace. Some factories pay their employees by giving them the merchandise they manufacture, from cartons of tampons to bolts of cloth to eggs and engine parts.

It is a ghostly remnant of a Soviet system that keeps real poverty — hunger or homelessness — at bay, but traps people in an endless day-to-day struggle to subsist. And just as workers sell off family heirlooms and television sets to make ends meet, the factories that employ them are selling off or closing their sanitariums, sports centers and summer camps to stay alive.

In November the Volgograd Tractor Factory finally closed its collective farm, which used to provide the factory's 20 canteens with vegetables, meat and dairy products. The farm, which employed 100 people, was so inefficient that it cost the factory $20 to produce about two pounds of meat — 10 times the market price.

The factory does not need its own failing farm; there are plenty of others to pick up the slack. Because its clients cannot afford to pay cash, the tractor factory gets paid in barter — huge crates of sugar, buckwheat, sunflower oil.

In lieu of paying its workers, the factory issues shopping vouchers. Employees can go to factory stores and buy groceries, and the amount of each purchase is deducted from their accounts.

These are stores that are all too familiar to Russian workers — long lines of shoppers waiting in a shabby room, staring at mostly bare shelves stocked with ill-packaged basics, jars of cooking oil, hunks of butter.

As she finally reached the counter and handed over her voucher to a grumpy cashier, Zinaida Sysoyeva, 56, a factory economist, smiled wickedly. "See," she said, "it's communism!"

■ Yeltsin Pledges Action

President Boris Yeltsin pledged tough action to "restore order" to Russia's tax collection system Wednesday, so that delays in paying pensions and wages will be eliminated, Agence France-Presse reported from Moscow.

"The state's debt to people remains big and the standard of living is intolerably low," said Mr. Yeltsin, who returned to work Monday after an absence of nearly six months because of poor health.

STITCH: *In Jordan, the Lingerie Label Reads 'Made in Israel'*

Continued from Page 1

factory did managers begin to put suspicions to rest.

As they tried to make clear, they themselves are Jordanian and their partner is not Israeli but the American-based corporate giant Sara Lee.

The arrangement, conceived by Mr. Salah after Jordan and Israel signed a peace treaty in October 1994, is based squarely on competitive advantage.

With the border between the two countries to be opened, he argued, companies like Sara Lee ought to shift production to Jordan, where costs are about 50 percent of what they would be in Israel.

As part of a joint venture, Mr. Salah and his partners won a deal that divided underwear production between an Israeli factory and his new one, with fabric cut into patterns in Israel and then trucked to Jordan for stitching by the Palestinian women who work for an average wage of about $100 a month.

And since the plant opened in February, some 275,000 panties, boxers and T-shirts have taken shape in Jordan each month before being trucked back to Israel, and shipped to the United States to be sold under brands that include Victoria's Secret, Donna Karan, J. Crew and Bali.

But because Israel, and not Jordan, is guaranteed free-trade access to U.S. markets, no mention of Jordan appears on the underwear labels, which is a practice permitted under U.S. law.

In keeping with that law, a substantial share of production must also remain on the Israeli side of the border, an arrangement that has struck many Jordanians in recent months as increasingly intolerable.

Since the election in May of Benjamin Netanyahu as Israel's prime minister, King Hussein of Jordan, for two years Israel's loudest champion in the Arab world, has gradually become a critic.

Despite his warning against Israel's apparent drift from the path toward peace with the Palestinians, the king still sounds effusive when compared to other prominent Jordanians.

By this month the Jordanian government had decided to postpone as premature a scheduled trade conference with Israeli officials.

And earlier this month, when Israeli diplomats opened their new embassy in Amman, the highest-ranking Jordanian official on hand was the director-general of the Foreign Ministry.

Among a handful of private businessmen who attended was Mr. Salah, a member of a wealthy Jordanian family.

Beginning next month, his company, the Century Investment Group, is to expand its venture to produce up to 150,000 bras a month, pre-cut in Israel and stitched in Jordan for labels in the United States including Victoria's Secret and the Gap.

MALL: *In Hungary, a Shopping Center Sells the American Dream*

Continued from Page 1

the economy, according to the World Bank — disguised real spending power.

"No one was a believer," said Mr. Demjan, who has converted himself from the longtime king of retailing under the Communists to the king of retailing in Hungary's market economy. "Everyone in Western Europe would say: 'O.K., what's the purchasing power?'"

"The truth is very simple. There are plenty of bad shops. If a good shop enters the market, the customers have their interests at heart and go where it is best for them."

After acquiring a former Soviet army base on the outskirts of Budapest for the mall, Mr. Demjan offered a partnership to the Trizec Hahn Corp. of Toronto, one of the biggest real estate companies specializing in retail centers and office towers in the United States.

Headed by Peter Munk, an émigré Hungarian who fled Budapest in 1944 and has made a fortune in gold mining, the newly formed Trizec Hahn has invested $5 million in the mall, according to the president of the company, Greg Wilkins.

The investment was tiny by the company's standards, Mr. Wilkins said.

But it is seen as the pilot for a string of shopping malls and other real estate projects Trizec Hahn plans in Central Europe, he said. A second mall is planned in 1997, adjacent to the main rail station in downtown Budapest, he said.

Despite the low consumer purchasing power in Hungary, the "trend line is very good," Mr. Wilkins said. Today, the average Hungarian might spend about half of his or her salary on a suit, but forecasts show that purchasing will grow steadily.

Central Europe was attractive for other reasons, too. Chief among them was the lack of Western-style retailing. With well connected local partners like Mr. Demjan, who knew how to blast through the bureaucracy, the development process could be completed relatively quickly with deals on land, construction and financing, Mr. Wilkins said.

With Mr. Demjan's pull, the Polus Center went up in 18 months, Mr. Wilkins said, a contrast to the average of seven years it takes to open a mall in the United States.

As a former Communist Party businessman, Mr. Demjan is particularly well connected. He ran cooperative retail shops during the hard-line Communist era in the 1960s. Then, with the Communist Party's blessing, he opened the state-owned Skala chain of department stores in 1974. He received the exclusive license to import Taiwan-made electronics in the 1980s.

In 1986, he was chosen to head the largest Hungarian commercial bank, Hungarian Credit, which had to be rescued from insolvency after the collapse of the Communists in 1989.

The mall's flagship store is Tesco, the largest British supermarket chain. Tesco opened a hypermarket selling food and clothing at low prices, with special offers on everything from diapers to potatoes, toilet paper to milk.

Although Tesco has not pulled in the $500,000 daily revenue that Mr. Demjan boasted about in an interview, it has been performing 50 percent better than expected, with an average daily turnover of $167,000, according to Charles Hardwick, the marketing director in Hungary. Already, the store ranks in the top 5 percent of the company's 750 stores worldwide, he said.

"We're getting about 12,000 customers a day," Mr. Hardwick said. "Of course they have less disposable income, but they're buying."

But what they buy is a bit different. Bananas, for example. "In one week, we sold more bananas than any of our stores anywhere," he said.

Finally, if mall shopping is about atmospherics, Polus Center appears to be a winner.

"We love it," said Istvan Kurtej, 25, with his girlfriend, Orsolya Kamaras, 19, as they peered into the twinkling lights of a jewelry store window. "We've been here maybe 15 to 20 times. I like this kind of shopping — it's more comfortable than walking several miles downtown."

Zaire to Rebuff France On Envoy's Immunity

The Associated Press

PARIS — A Zairian official says his government will refuse a French request to lift the diplomatic immunity of its ambassador, who has acknowledged killing two boys in a car accident.

The official, Jean-Marie Kithitoi, said in an interview on French radio that Zaire feared creating a precedent. Mr. Kithitoi was foreign minister until a new crisis government was announced.

"Ramazani Baya is not the first ambassador to make a mistake in a country where he is accredited," Mr. Kithitoi told Radio France International in an interview Tuesday from Kinshasa, the Zairian capital. Mr. Baya, the ambassador, returned to Zaire after the accident.

"So what will happen? Diplomats, ambassadors will no longer be protected," he said.

The radio interview came a day after France renewed its request to have the envoy stripped of immunity so he could face French justice.

The two boys were killed Nov. 23 when the ambassador's car hit them as he sped through a crosswalk in the Riviera town of Menton.

Mr. Baya said he was rushing to meet with his president, Marshal Mobutu Sese Seko, whose villa is near Menton.

EUROPE

Three Women Killed in Frankfurt Church Blast

Compiled by Our Staff From Dispatches

FRANKFURT — A woman determined to kill herself "in a spectacular action" detonated an explosion at a Christmas Eve church service, killing herself and two other women, the police said.

Ten of the worshipers at the Lutheran Church Sindlingen-South were hospitalized. Two of them, a 12-year-old girl and her mother, received critical head wounds.

"The evidence indicates that she was disturbed and wanted to kill herself in a spectacular action," said a police spokesman, Manfred Feist. "Christmas Eve. It's unimaginable.

"We can only speculate," he said. "Perhaps this was an emotionally disturbed person. We have largely ruled out this being a terrorist attack."

The church bells had just stopped ringing across the city. The first hymn of the 11 P.M. service had filled the chapel for only a moment, The Reverend Hans Blum was preparing to deliver his last sermon before retiring on Sunday.

Most of the 70 worshipers knew each other. Many worked at the nearby Hoechst chemical plant.

But no one recognized the brown-haired, blue-eyed, 30ish woman who sat in the third pew from the back. It was icy cold outside, but they noticed she had not removed her dark cape and shawl inside the warm church, decorated with a Christmas tree lit up for the late service.

Suddenly the unknown woman detonated what the police believe were at least two hand grenades hidden under her cape.

The bomber's lower body was splattered around the church, and the hard wooden pew she was sitting on was blackened and splintered. Two sisters sitting near her, aged 59 and 61, were blown apart.

Worshipers ran screaming from the small stone church, many with blood streaming from their wounds. They were treated on the street, in Mr. Blum's house next door, and on the floor under the light of the Christmas tree.

Young volunteers from the fire brigade — the first on the scene to give first aid — were so overcome that they had to be treated themselves, said a spokesman, Hans-Juergen Kohnert.

The police said the bombing did not appear to be politically motivated. Mr. Feist did not say what evidence led to that conclusion, and the police were still trying Wednesday to learn the woman's identity.

Her head and upper body remained intact, with only black smudges on the face. The police released a photograph, hoping for help in identifying her.

Hours after the explosion, needles and intravenous bottles were mixed with numbered evidence tags on the bloodied floor — and strewn about were sheets of blue paper, the Christmas hymns left to be sung. *(AP, Reuters)*

BRIEFLY EUROPE

High Court to Rule On Ex-Nazi Priebke

ROME — A magistrate asked Italy's highest court to decide who should prosecute Erich Priebke, a former Nazi captain accused in a wartime slaying of 335 civilians. The request coincided with an order to extend the detention of Mr. Priebke.

Italy's justice system has not been able to decide whether to retry Mr. Priebke, 84, in a military tribunal or move the case to a civilian court. In August, a military court convicted Mr. Priebke of taking part in the 1944 slayings, but acquitted him of acting with premeditation and cruelty — effectively freeing him because prosecutors needed a conviction on those charges to get around Italy's 30-year statute of limitations on murder. He was swiftly re-arrested because of an extradition request from Germany.

An Italian appeals court ordered a retrial in October, claiming bias by the military-court judge. Mr. Priebke is being held in a Rome jail. *(AP)*

'Dirty War' Testimony Is Refused by Judge

MADRID — A Supreme Court judge refused to hear testimony from French authorities in connection with Spain's so-called dirty war against Basque rebels, the Spanish daily El Pais reported.

Judge Eduardo Moner refused a petition from a former security chief, Rafael Vera, indicted in the death-squads case, requesting that Mr. Moner hear testimony from former interior ministers Charles Pasqua and Pierre Joxe of France and two former police officials, Roger Marion and Roger Rosle, about Mr. Vera's cooperation with French authorities in the 1980s, according to El Pais.

Mr. Vera is charged with organizing the Anti-Terrorist Liberation Groups, believed responsible for killing 26 in a campaign between 1983 and 1987 against the armed Basque separatist group, ETA. *(AP)*

Lebed Is Expected To Form New Party

MOSCOW — Alexander Lebed, 46, who has his sights on succeeding President Boris Yeltsin, is expected to proclaim Friday the formation of his own political party in a move to break out of political isolation.

The decision is expected to be finalized at a meeting Thursday in Golitsino, west of Moscow, of 146 delegates from movements that now support Mr. Lebed. *(AFP)*

Suspected Bomb Puts Prison on Alert

BELFAST — Prison officers in Northern Ireland were on special alert Wednesday after a suspected bomb warning by Irish guerrillas.

The news media had broadcast a police appeal for vigilance on Tuesday evening after a caller using an Irish Republican Army identification code word told a radio station that a bomb had been placed in a prison officer's car parked outside a social club near the Maze prison at Lisburn, ten miles (16 kilometers) south of Belfast.

A search by British Army bomb-disposal experts failed to locate any explosive device. *(Reuters)*

'Shattering Spell of Peace'

Pope's Message Highlights World's Trouble Spots

Compiled by Our Staff From Dispatches

VATICAN CITY — Pope John Paul II, in his Christmas message Wednesday, wished the world joy and peace and said both had been sorely tested by trouble spots in the Middle East and by indifference to atrocities in Africa.

The Pope, 76, delivered his denunciation of violence that he said was "shattering the spell of peace brought by this holy day" after getting a little more rest than is usually allowed by a hectic Christmas holiday.

John Paul II, who had an appendectomy in October to cure what the Vatican said were repeated bouts of inflammation, heeded his doctors' advice to slow down.

He skipped his traditional appointment for a midmorning Mass in St. Peter's Basilica, where he led a two-hour Christmas Eve service at midnight.

At noon, he appeared at the central balcony of the basilica facing St. Peter's Square before an audience of millions of television viewers and about 10,000 tourists and Romans who braved a rainstorm for his "Urbi et Orbi" message to the city and the world.

After reciting words from carols from his native Poland, the pontiff offered this wish:

"May these melodies bring peace and serenity, especially to those places where, as in Bosnia-Herzegovina or Guatemala, after long years of war at home and abroad, weapons have at last fallen silent and men tread anew the path of understanding and harmony."

But the pontiff said: "The echo of the songs of Christmas must travel much farther.

"I am thinking of Bethlehem and all the Holy Land, where Jesus was born and lived, the land which he loved, the land where hope must not die, despite provocations and profound differences."

The Vatican has long shown a strong interest in Middle East peace, especially the still-to-be decided question of Jerusalem, with its holy sites.

In Bethlehem, thousands of pilgrims and revelers streamed into the birthplace of Jesus, now governed by Palestinians, on Christmas Day as residents praised the Palestinian Authority for putting a holiday shine on the West Bank town.

Even before the first morning bells summoned worshippers to Bethlehem's Church of the Nativity, neighboring Manger Square had been scoured clean of trash left by tens of thousands who jammed the courtyard on Christmas Eve.

"Last year, it was a disaster area," an employee of a souvenir store said Wednesday in a reference to the first Christmas under Palestinian self-rule. "This year the authority organized themselves better."

One Spanish tourist said: "Don't ask me about politics; it's all about peace and love, brother. *Feliz Navidad!*"

One Filipina pilgrim who said she had come to Bethlehem on Christmas for many years — under both Israeli and Palestinian rule — took a broader view.

"This city has passed through so many rulers since Jesus was born here," Maya Balibolos said. "It will always be holy." *(AP, Reuters)*

L Gerard Julien/Agence France-Presse

Pope John Paul II preparing to celebrate Mass at Saint Peter's.

Russians Attacked in Tajikistan

The Associated Press

DUSHANBE, Tajikistan — Despite a fresh cease-fire agreement, Russian troops guarding the southern border of Tajikistan have come under fire, apparently from rebel forces, according to reports Wednesday.

Russian border guards said they were shot at Tuesday night from Afghanistan's side of the border with Tajikistan. The Russians returned fire, but no casualties were reported.

The Tajik rebels operate from northern Afghanistan and regularly clash with Russian troops guarding the frontier.

Russia has 25,000 troops in Tajikistan to support President Imomali Rakhmonov, who signed a cease-fire agreement Monday in Moscow with the Islamic opposition leader Sayid Abdullo Nuri. The leaders billed the agreement as an important breakthrough in efforts to end the four-year-old civil war. Previous agreements had collapsed.

France Rejects Pact On New Iraq Patrols

Reuters

ANKARA — Talks on the future of American-led air patrols over northern Iraq hit a snag Wednesday when France refused to agree on details of further allied flights, Turkish officials said.

"France made it known this afternoon that it was not ready for an agreement on technical issues at the moment," a Foreign Ministry official said.

The mandate for joint U.S., British and French patrols of a so-called no-fly zone that bans Baghdad's aircraft from northern Iraq is due to run out Tuesday.

In Paris, a Foreign Ministry spokesman said the United States and Turkey had decided to end the "Provide Comfort" flights as they had been conducted until now.

"French authorities will study the new conditions created by this decision and will make their position known at the right time," the spokesman said.

The reason for France's refusal to endorse the renewed flights was not immediately clear. The three allies have been shielding northern Iraq from attack by Baghdad since hundreds of thousands of Iraqi Kurds fled to Turkey and Iran after a failed uprising at the end of the Gulf War in 1991.

The French dispute is the latest blow to Washington's attempts to keep President Saddam Hussein's troops out of the mountainous northern part of Iraq. France temporarily pulled out of the operation in September after the United States made cruise missile attacks against Iraq. Washington backed one Kurdish faction against the other during internecine fighting in Kurdistan in August.

Paris, eager to help exploit Iraq's oil resources, has courted Baghdad's favor and pressed for an end to UN sanctions against Iraq.

The planes involved in the Iraqi operation fly out of the Incirlik air base in southern Turkey. On Wednesday, Turkish legislators authorized Prime Minister Necmettin Erbakan's government to allow the flights to continue in January.

U.S. Accuses Milosevic of Inciting Violence

By Steven Lee Myers
New York Times Service

WASHINGTON — Intensifying its criticism of President Slobodan Milosevic, the United States has accused him of organizing and inciting protesters who battled in the streets of Belgrade with demonstrators protesting against his government.

The State Department issued one of Washington's strongest condemnations of Mr. Milosevic since his decision to annul municipal elections won by the opposition last month provoked a series of protests.

In a strongly worded statement, Deputy Secretary of State Strobe Talbott on Tuesday repeated a warning made by Secretary of State Warren Christopher two weeks ago in Brussels that Yugoslavia could face renewed economic sanctions. He also reiterated the U.S. demand that Mr. Milosevic negotiate with leaders of opposition parties who won elections in 15 of 18 cities, including Belgrade, the capital.

"The Serbian authorities have flagrantly and provocatively chosen to heighten tensions by bringing thousands of people into Belgrade to confront peaceful demonstrations by the opposition," said Mr. Talbott, serving as acting secretary of state while Mr. Christopher is on vacation. Since Mr. Milosevic annulled the election results, the United States has grown increasingly critical of him, even though President Bill Clinton's administration relied heavily on him in the negotiations last year in Dayton, Ohio, that led to peace accords for Bosnia. It has repeatedly called on him to recognize the election results and to begin talks with opposition leaders.

At a meeting of foreign ministers of North Atlantic Treaty Organization countries in Brussels this month, Mr. Christopher threatened tough new sanctions and persuaded all the NATO allies to join in a condemnation of Mr. Milosevic's government. "We have warned the Serbian government that violence against the protesters will have serious consequences and will inevitably lead to Serbia's further isolation from the international community," Mr. Talbott said.

The senior American envoy in Belgrade, Richard Miles, met Tuesday with the foreign minister of Yugoslavia, Milan Milutinovic, and urged the government to halt attacks on protesters. Mr. Talbott said a similar message had been sent to opposition leaders calling on them to avoid violence, but he did not blame them for the clashes.

ASIA: *Reaction to Clinton Fund-Raising Dispute Is 'So What?'*

Continued from Page 1

the person is likely to get more out of the personal-connections route than through the courts, in the present state of the courts."

So why did Johnny Chung, a Taiwanese-American entrepreneur with a struggling business in Torrance, California, donate $366,000 to the Democratic National Committee and use his largesse as a means to escort Beijing beer-company executives and other business people from China on personalized White House tours?

A Hong Kong-based American business consultant and former diplomat who was present for one of the 49 visits Mr. Chung made to the White House said, "He was in an entrepreneurial spirit, using the aura or afterglow of his official connections to create confidence in himself or his ability to promote the visitors' business."

Sun Jianfeng is chief executive for Taihe Enterprise Group, a conglomerate involved in real estate, hotels, trading and entertainment businesses in China's far western Xinjiang region. He was a member of one of Mr. Chung's White House delegations in late 1994.

Like most other Chinese business executives who participated in the White House visits, he was tight-lipped when contacted by telephone. He said that, like others in the delegation, he had been in the United States to "investigate" the American market.

Mr. Sun declined to say whether he had paid Mr. Chung for the honor of meeting Mr. Clinton. But he did say he had been "very moved" that Mr. Chung "did not forget that he was of Chinese descent" and was making an effort to attract foreign technology and investment to China.

Mr. Clinton and others have appeared to be employing a cultural relativism in defense of his friends John Huang, a fund-raiser for the Democrats, and Yah Lin Trie, the Little Rock, Arkansas, restaurant owner who diverted thousands of dollars from a Taiwan-based Buddhist cult to Mr. Clinton's legal defense fund.

Much of the money raised by the two men was part of the $2.1 million that the Democratic National Committee and the president's legal defense fund have been forced to return to donors because of alleged or suspected illegalities or irregularities.

"The reason that I have not been more critical of Charlie Trie or John Huang," Mr. Clinton said in the interview Friday, "is that it is not clear to me . . . to what extent they knew exactly what they were doing and whether it was wrong."

Stanley Rosen, a University of Southern California political-science professor and a frequent visitor to China, said Asians involved in the funding scandal were "for the most part behaving according to standard procedure in Asia."

ALGERIA: *Letter to Chirac*

Continued from Page 1

before dragnets jailed hundreds of Armed Islamic Group sympathizers among the large North African population in France.

The Armed Islamic Group is only one of the Muslim groups opposing the military-backed government of President Liamine Zeroual in Algeria, where a civil war began after the government canceled an election that the opposition appeared poised to win in 1992. Tens of thousands of civilians have been killed in the violence.

Mr. Chirac's conservative government has refused to cut all ties to Mr. Zeroual's government, which conducted a referendum last month on a new constitution giving sweeping powers to the president and banning Islamic political parties. The government said voters had overwhelmingly approved the measures.

Algeria gained independence from France in 1962 after a war that brought down the parliamentary system of France's Fourth Republic and divided the French people. The Armed Islamic Group has targeted France to put pressure on Mr. Chirac to cut off exchanges that include $1 billion a year in trade credits and about $4 billion a year in exports and imports.

BELGRADE: *Demonstrators Defy Milosevic*

Continued from Page 1

"We will accept dialogue on condition that he accepts the law," said Zoran Djindjic, the president of the Democratic Party and the main strategist of the Together movement.

Earlier, Vuk Draskovic, another opposition figure, ruled out any dialogue with Mr. Milosevic after the clashes Tuesday. One Democratic Party official said Mr. Draskovic's statement was "an emotional overreaction."

Mr. Djindjic and Mr. Pesic said they would agree to new municipal elections quickly as long as Mr. Milosevic recognized their victories.

The opposition leaders also stressed that they wanted equal access to Serbian electronic media, which is dominated by the Socialists. An estimated 80 percent of the 10 million people in Serbia rely on state-run TV Serbia for their news.

If the opposition is installed in city halls throughout Serbia, especially in Belgrade, it will be in a strong position to affect the outcome of any subsequent elections. Under Serbian law, municipal governments are responsible for holding elections.

The opposition statements appeared to be attempts to calm Western fears that the violence Tuesday had threatened chances of a peaceful settlement of the worst political crisis in Serbia since the war began in 1991.

In the coming days, Mr. Milosevic will have several chances to defuse the situation and accede to opposition demands.

In the important industrial center of Nis, 225 kilometers (140 miles) south of Belgrade where the Socialists are accused of stealing an opposition victory, the local election commission began meeting Wednesday after a court decision ordering the commission to recount ballots in 26 polling stations.

If Mr. Milosevic mandates it, the commission could overturn the Socialist victory in that city.

On Friday, the Organization for Security and Cooperation in Europe is expected to issue its recommendations after a visit to Belgrade by a council delegation. The delegation came to Belgrade at Mr. Milosevic's invitation to look into accusations of irregularities in the elections.

Among the marchers Wednesday, an air of defiance filled the crowd. Ivanka Miljacki, a retired architect, said she was marching for her son and daughter, who both emigrated to the United States.

She said, "They saw no hope for people like them who aren't good at stealing and manipulation and all the other damnable skills needed to survive here."

PERU: *Ambassador's Release Raises Concern of Deal-Making*

Continued from Page 1

for the rebels is possible until they surrender and release the remaining hostages. The anxiety over what the court decision in Montevideo could imply reflects one of the unstated options in this drama: the possibility of freeing individual hostages via unilateral negotiations with the rebels.

Tokyo's history of freeing hostages by striking deals with terrorists, particularly its homegrown Red Army, is one reason cited for why the ambassador's residence was chosen for attack in the first place. It is also a possible explanation for why the rebels have released hostages from countries known to take a no-deal approach to terrorists, including the United States.

Over the past few days, observers have tried to read the list of hostages still in the residence for clues, and in this sense the ambassadors of Bolivia and Uruguay were seen as important because both countries were holding Tupac Amaru members. Of the two, the most important is Bolivia because it had detained several members accused of kidnapping a Bolivian businessman last year, a case estimated to have netted the rebel movement between $1 million and $2 million.

The debate over what Uruguay did, or did not do, came amid few visible signs of progress in the dialogue between the government and the rebels. Attention continued to focus on the well-being of the hostages, who spent Christmas in captivity and now may be wondering whether 1997 will begin without freedom.

"Despite all the turmoil and this overall crisis, despite that it is Christmas, despite that they are separated from families, we can say there is serenity among the hostages," said Steven Anderson, of the International Committee of the Red Cross.

Outside Red Cross headquarters, the wife and daughter of one of the more prominent hostages, the president of the Peruvian Supreme Court, Moises Pantoja Rodulfo, carried a message from him that said simply: "I am fine. Do not worry."

His wife, Ana Maria, said Wednesday, "We waited yesterday to see if something would happen but then at midnight — nothing."

His daughter, Sofia, said, "There has been no Christmas. We will have Christmas when he is with us again."

A Red Cross spokesman, Roland Bigler, described the situation at the residence "in words we do not like: under control." The hostages had a traditional Christmas meal, he said, made up of 10 turkeys donated by President Alberto Fujimori and his family.

The Red Cross also noted that of the 225 hostages released Sunday, only 221 had been identified. That raises the possibility that some of them used fictitious names and may have been, as the newspapers here have speculated, Tupac Amaru members. Two Red Cross delegates compiled the list over several hours Sunday.

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Herald INTERNATIONAL Tribune
PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Pressuring Belgrade

Street violence now threatens to produce a tense new phase in Serbia, where, day after day, tens and hundreds of thousands of citizens have been marching in peaceful protest. It is already one of the memorable expressions of public opinion welling up from below in de-communization. These citizens have created a possibility that no one expected when they began demonstrating more than a month ago — to loosen the grip of the autocracy run by Slobodan Milosevic and to put Serbia on a path to democracy. This could transform not only Serbia but the rest of the former Yugoslavia, too.

The demonstrators seem a bit dazed to find themselves inventing a new form of protracted peaceful protest and carrying it through with such discipline and élan. Their immediate goal is to have Mr. Milosevic reinstate the results of the November municipal elections that he lost and then revoked. The longer-term goal is to replace the Serbian leader — the single person most responsible for the disintegration of Yugoslavia, the subsequent Balkan wars and the misery that has overwhelmed most of the region, not least Serbia.

So far the marches have maintained a working unity among resisters of different persuasions — nationalistic as well as democratic, members of opposition parties as well as unattached citizens. The movement's middle-class character and its felt requirement to maintain international support appear to be making it more democratic as it goes along.

At first Mr. Milosevic dismissed the potential and staying power of the people rallying against him. Recently he was stung enough to launch counter-demonstrations in the old rent-a-crowd Communist mode. His initial efforts flopped, badly embarrassing a regime whose anti-democratic character was already firmly established.

On Monday, he tried harder and bused into Belgrade a larger but still not notable crowd. Some in the Milosevic circle may be leaning toward making a tactical accommodation with the demonstrators. Others appear ready to launch provocations against the opposition and to call in what is, at 80,000 well-armed men, Europe's strongest police force.

Led by the United States, the West is doing what it ought to do.

It is pressing the Belgrade regime hard to keep things peaceful, to permit full political expression and to loosen its chokehold on the media. Through the Organization for Security and Cooperation in Europe, it is searching for a political formula that will give Serbians the public officials of their democratic choice. The Western countries are asking Mr. Milosevic not simply to respect his full obligations to the Dayton peace accords in Bosnia but also to permit a democratic process to unfold in Serbia. The threat of a renewal and extension of economic sanctions is being wielded to these elusive but essential ends.

— THE WASHINGTON POST.

Yeltsin's Task

Boris Yeltsin is on the mend, but the Russian economy looks as anemic as he did before quintuple bypass surgery in November. As the frail but recovering Russian president returned to work in the Kremlin on Monday, his government disclosed that the Russian economy had contracted by 6 percent in 1996, statistical confirmation of the serious problems that cripple Russia five years after the collapse of the Soviet Union. President Yeltsin will need all the energy and forceful leadership he can muster to brake the decline.

Considering the opportunity for political mischief while Mr. Yeltsin was ailing these past six months, the Kremlin looks reasonably steady.

Viktor Chernomyrdin, the prime minister, kept democracy on track, no mean achievement in a country without a democratic tradition.

Constitutional authority was preserved despite the byzantine machinations of various officials, and even the Communist-dominated Parliament acted responsibly. An uneasy peace in Chechnya, though shaken by the recent murder of six Red Cross workers there, has proven more durable than expected.

The economic picture is not as sanguine. Inflation remains at acceptable levels and some of the decline in gross domestic product is a healthy sign that faltering state enterprises left over from the Communist era are restructuring or closing. But the Russian economy is staggering from corruption, mismanagement and inexperience in the mechanics of a free-market system.

Corruption under communism, like so much else in the Soviet Union, was centrally planned. Everyone in a position of authority, from the Kremlin leadership to the state farm directors, got special benefits.

Now corruption is more democratic — anyone can skim money off a business deal, arrange a kickback on a contract or squeeze someone to pay a bribe. It has tainted the whole Russian business scene, draining money from legitimate enterprises and discouraging domestic and foreign investment.

The government, ineffectual in combating corruption, has compounded economic problems by mismanaging Russia's tax system. Lax and uneven tax collection has left the federal treasury billions of dollars short of expected revenues. As a result, the government for months has been unable to pay the wages of millions of state workers, including coal miners, doctors, teachers, soldiers and nuclear scientists. Strikes and labor unrest are a constant threat to the health of the economy.

So far, impoverished military forces have stoically endured the hardships, and the nuclear experts, including thousands of people once employed as bomb designers and manufacturers, have quietly put up with the loss of income and status. But any society that starves its soldiers and nuclear engineers is inviting instability and a hemorrhage of nuclear secrets and materials.

Mr. Yeltsin has promised a crackdown on tax cheats, but the breakdown in the tax system is so complete that a blizzard of presidential decrees will not do the job. The welter of Russian tax laws needs drastic simplification, the machinery of tax collection requires a complete overhaul and Russians must be convinced that the payment of taxes will bring their country and their communities tangible benefits.

In five years as Russian leader, Mr. Yeltsin has repeatedly overcome crushing political problems, somehow managing to keep reform alive.

Now, as he belatedly begins his second term, he must bring discipline and order to the Russian economy. If it fails, so too will reform.

— THE NEW YORK TIMES.

Other Comment

Freedom Spreads

More people are living in freedom than ever before and more of the world's nations now qualify as electoral democracies, reports Freedom House in its annual survey of political rights and civil liberties. In 1996 the number of people living in free societies grew by 135 million, bringing to 1.25 billion those protected by basic rights. What must not be lost sight of is that even today little more than one person out of five enjoys full freedom.

Thirty-nine percent are ranked as only partly free, while a similar percentage live in societies where freedom is largely unknown.

The nonpartisan Freedom House was founded in 1941. Its annual survey measures the rights of individuals, including freedom of expression, equality under the law, protection from political terror and unjustified imprisonment, freedom for nongovernmental organizations and equality of opportunity. Based on these standards, 17 countries, comprising one-fourth of the world's population, are held to be "the worst of the worst." Among them: Afghanistan, Burma, China, Cuba, Iraq, Libya, North Korea, Saudi Arabia, Syria and Vietnam.

Western Europe remains the world's most democratic region, followed by the Americas, where only one state, Cuba, continues to deny its citizens fundamental freedoms.

Among the great gains for freedom in 1996 were the democratic presidential election in Taiwan, the triumph of electoral politics in Eastern and Central Europe and Nicaragua's rejection of the presidential candidate Daniel Ortega Saavedra. Among the setbacks were the violence in Central Africa, Taleban's move to power in Afghanistan and China's growing aggressiveness.

— Los Angeles Times.

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What's the Good News? The News Is Not All Bad

By Flora Lewis

PARIS — There is a mood of anxiety, of depressing concern about the world, as though there is not much point in looking for something good. It is a sharp contrast with the closing years of the 19th century, "la belle epoque," when belief in progress was almost a religion and monuments like the Eiffel Tower were built to display the marvel of man's new capacity.

The terrible first half of the 20th century showed the optimism was badly displayed, but these last few years by no means justify the prevailing gloom. There is always bad news, but somehow the old fatalistic notion that "no news is good news" has been reversed. If it's good, it's seldom considered news any longer, just the least there's a right to expect.

The classic definition of news — dog bites man, nothing new; man bites dog, headline — naturally stresses the exceptional, which is often disaster. But as the American historian Richard Pipes says: "Everybody, every country has problems. Cemeteries have no problems."

Our instant communications thrive on tragedies; they are visual and dramatic. Good news tends to be slowly cumulative, so that it is much easier to pinpoint the moment when fears become reality than the day when hopes turn into the world we take for granted.

Yet that is also happening, in more ways than are borne in mind by the handwringers who look around and say that things have never been worse. For one thing, they are looking around and that itself is an improvement because it means accepting new challenges, and that implies new responsibilities.

Obviously, the most important change has been that the threat of nuclear war, or any war among the major powers, has seriously receded.

A treaty outlawing all atomic weapons tests has been signed, and while obstacles remain to bringing it into binding effect, the commitment has been made.

Smaller wars continue, as relaxation of primary international tensions leaves space for old, festering disputes to erupt in murderous conflict. But there is also a heightened sense that war should not be considered inevitable, and that it should not be dismissed as no one else's business if some people choose to fight instead of seeking nonviolent resolution of grievances.

There's an increasingly acknowledged obligation to try to prevent, or at least to stop, these conflicts, even if the powers that must assume that burden can't figure out or agree on the best ways to go about it much of the time. They seem to be learning how to weigh in, as Bosnia shows, as Romanian-Hungarian accommodation to qualify for NATO membership shows, as the restraint of Serbia's Slobodan Milosevic from using force against massive opposition demonstrations shows, as the still uncertain and as yet ineffective attempt to save the Middle East peace process shows.

Retiring U.S. Secretary of State Warren Christopher, in a farewell press conference, listed worldwide threats to be addressed as a "central aspect" of future U.S. foreign policy. He named crime, narcotics trafficking, proliferation of weapons of mass destruction and damage to the environment. It is significant that he didn't see a need to include peace and human rights — not because they are less important but because they are already assured of international attention. They are on the established agenda.

Certainly, population growth and the increase of absolute poverty must be added to the category of global threats. James Gustav Speth, administrator of the UN Development Program, reports that "over a hundred countries are worse off today than they were 15 years ago," and that "over the past 30 years the gap between the richest and poorest 20 percent of the world's people has doubled, from 30-fold to 60-fold."

But he also points out that the TV screens that flash the horrors seldom bring images of "thousands of UN-financed workers immunizing poor children, promoting agriculture and food security, providing safe drinking water or building capacity for countries to better manage their own affairs."

And Carol Bellamy, executive director of Unicef, notes that applied efforts to save children are working: "Despite a large increase in births, an estimated million fewer children under age 5 will die this year than in 1990." The current generation, the largest ever, will when it reaches adulthood be "the best-fed, most literate and longest-lived in human history," she states.

These are random examples; there are many. The good news comes quietly, almost surreptitiously, usually accompanied by stern warnings that the efforts to achieve it must be energetically sustained if it is to continue.

It is right and decent to lament that more hasn't been accomplished, but evidence exists that efforts at improvement are possible and worthwhile. That may not be news, but it's good to know.

© Flora Lewis

A Few Things That Clinton Must Tell Netanyahu and Arafat

By Thomas L. Friedman

NEW YORK — Israelis and Palestinians will soon finalize an accord for Israel's withdrawal from Hebron. Here's the talk President Bill Clinton needs to have with Prime Minister Benjamin Netanyahu and the Palestinian president, Yasser Arafat, after the Hebron agreement is signed.

Mr. Clinton to Mr. Netanyahu: "Bibi, let's not kid ourselves, you need a fresh start and I hope the good judgment you've shown in finally signing this Hebron deal will force others to give you a second look. But it will only be a lasting second look if you learn the lessons of the last six months.

"You thought that by making tough new demands to redo the original Hebron deal in the Oslo accords — demands like the right of hot pursuit of Palestinians — you would demonstrate your strength as prime minister. But we both know that hot pursuit was well dealt with in the original Oslo accords and you were only pushing it further to improve your political standing, not Hebron's security. Your approach triggered a crisis with the Palestinians, Egyptians and Jordanians and exposed you to merciless criticism in Israel, where the public wants to see movement in the peace process, even if it is still divided over what the final map should look like. Once you backed off your political demands, and focused on real security issues, the deal was done, but your tactics have cost you. Your position now in the Arab world is very tenuous. You have gone from a position in which the leaders of Egypt and Jordan don't like what you say to a position in which they simply don't believe what you say.

"The main lesson I hope you will draw is this: The Oslo peace process, well, you can stomp it, crumple it, rip it, tear it, singe it or staple it, but one thing you can't do is stop it. It's bigger than any one person because it's driven by a silent majority of Israelis and Palestinians who desperately want two things: separation from each other and integration with the rest of the world.

"Bibi, you will never enjoy the full authority of the prime ministership until you put your own mark on the most important question before Israel — peace with the Palestinians. Up to now you have been dragged along by the process, so that you get scant credit from those who like what you're doing, criticism from those who oppose it and no change in the perception of Israel in the Arab world, because your long-term intentions are still suspect. While I sense that you have gotten rid of many of the illusions you came into office with, you still have not formulated an overall approach to peace that is both credible and has your own unique stamp on it. No one is sure where you're heading.

"So please remember this as you now enter the final status negotiations with the Palestinians: There is no integration of Israel in the Arab world without an Israeli-Palestinian agreement. There is no Israeli-Palestinian agreement without a basic strategic understanding between you and Arafat about where you're heading. There is no strategic understanding with Arafat without an agreement that the Palestinian people are going to live in their own state side by side with Israel — provided they will deliver Israel the security it needs. Sovereignty for security, that's the deal. Always has been, always will be."

Mr. Clinton to Mr. Arafat: "Yasser, pay attention to what has happened here. Netanyahu's signing onto this Hebron deal means that he is finally embracing the Oslo process, because he has no credible alternative. That is a big deal. What you have to remember is how Bibi got here. It wasn't Jacques Chirac who pushed him here, and it wasn't me, Bill Clinton. It was the Israeli people. It was their frustration and discontent with the way things were drifting, and it was their aspiration for separation and integration, which were the real pressures on Netanyahu. If a majority of Israelis were against the Oslo process, do you think Bibi ever would have budged? No way.

"But you will only have the Israeli silent majority as your ally as long as they believe your goals are limited and that you will make every effort to ensure their security. I was encouraged to see how quickly you tracked the killers of that Jewish settler family near Ramallah. Keep it up. If the Israeli public can trust you on security, everything is possible in the final status negotiations. But if they can't, nothing is possible."

The New York Times.

Everybody Makes Mistakes, But Some Folks Deserve a Prize

By Jim Hoagland

WASHINGTON — What did Rudyard Kipling, Richard Holbrooke and Mobutu Sese Seko have in common in 1996? Well, me. I erred about each of them.

'Tis the season for columnists to clean the slate and vow to do better. And — to encourage world politicians to act in the same spirit of atonement — it is also time to award the 1996 International Chutzpah Awards to those who try to brazen out their manifest failings.

Crow became my holiday menu instead of turkey when I said President Bill Clinton had not let campaign contributions from Asia persuade him to go easy on the Communist dictatorship in China.

President Clinton had changed his mind on China earlier and did not need to be bought, I wrote. O.K., so far. But then I went on to cite an old British poem as analogy:

"You cannot hope to bribe or twist/Thank God! The British journalist/But seeing what the man will do/Unbribed, there's no occasion to."

Kipling said that, I said. Wrong! buzzed my colleague Anthony Lewis of The New York Times. The author was actually "an obscure versifier named Humbert Wolfe," he wrote gently, reflecting an acute awareness of the psychic damage done to pundits suddenly reminded of their own fallibility.

In Mr. Holbrooke's case, I fell into the propinquity fallacy, which holds that because two events occur close to each other there is a direct relationship between them. In a recent column I paraphrased Mr. Holbrooke saying that 1999 was the right moment for expanding NATO because it was the 10th anniversary of the fall of the Berlin Wall, as well as the 50th anniversary of the treaty that established the Atlantic alliance.

Let's go to the tape, the former American diplomat suggested in a conversation. Instant replay shows that when Mr. Holbrooke was asked the question about 1999, he was far more ambiguous than my account suggested. Among other points, he noted that 1999 would be 10 years since the Berlin Wall had fallen, plenty of time for NATO to begin expansion.

He did not and does not now endorse anniversary-ism, Mr. Holbrooke said. And I failed to make clear the treaty anniversary merchandising tie-in for expansion was mine, not his. Balkan dictators have been brought to heel for less.

Marshal Mobutu, Zaire's ailing strongman, proved me wrong in a recent long-distance assessment of his health, as Nkashama Nkonko, Marshal Mobutu's ambassador-at-large, writes to remind me. Two days after I repeated the judgment of correspondents and news agencies in Zaire that Marshal Mobutu would not return from his treatment for advanced cancer abroad, there he was in Kinshasa, "walking, talking, smiling, waving and addressing the nation and the world" via CNN, Mr. Nkonko writes.

Also taking umbrage at my description of a conversation with a friend of Marshal Mobutu's who was convinced the dictator was "at death's door," Mr. Nkonko added: "I myself have spent more than two months with the president in Switzerland and France during his recuperation. While it is true that the president has not yet finished his convalescence from prostate cancer, he is most certainly not 'at death's door.'"

Sigh. While hanging up my stethoscope and taking a last crow drumstick, let me pass out the 1996 International Chutzpah Awards that single out lack of shame in world leaders for recognition.

• North Korea's Kim Jong Il seemed to have a lock on first place when he demanded that South Korea return a spy submarine sent to land on its shores, complete with armed infiltrators. But the North Korean has to share honorable mention with two late starters:

• Turkey's interior minister, Mehmet Agar, who explained away the deaths of a top terrorist suspect and heroin smuggler, his beauty queen mistress, a leading member of Parliament and a top national police official in the same car in a traffic accident as a coincidence. Pressed on that, he then argued that the policeman had actually arrested the terrorist smuggler and was bringing him in. When it became known that the cop, the thug and the pol had had extensive business dealings, Mr. Agar finally shut up and resigned.

• The American diplomat who acknowledged to Leah Boutros Ghali over lunch that the United States had "bungled" its effort to get her husband to step down quietly from his job as secretary-general of the United Nations, and then requested her help in persuading Mr. Boutros Ghali to step aside to help save face for the United States.

Sorry, gentlemen and lady diplomat, first place must go to:

• President Franjo Tudjman of Croatia, for awarding a national hero's medal to General Tihomir Blaskic. General Blaskic is awaiting trial by the International War Crimes Tribunal for committing atrocities in Bosnia. Mr. Tudjman, often accused of having made anti-Semitic remarks, gives new meaning and ecumenism to the concept of chutzpah.

The Washington Post.

A Little Harmony, S'il Vous Plait

By Dominique Moisi

PARIS — Thirty years ago, in the middle of the Cold War, President Charles de Gaulle withdrew from NATO, prompting the United States to denounce France as irresponsible and selfish. It was a low point in French-American postwar relations.

Today, under President Jacques Chirac, France has decided to rejoin NATO.

Yet despite this fundamental change, relations between France and the United States are again at a low point. From the Middle East to Africa, from NATO to the United Nations, from trade to culture, the troubled partnership is more troubled than ever.

As a condition for fully joining NATO, France insists that a European officer take over the alliance's southern command, a position traditionally held by an American. Recently, France and the United States clashed over the selection of a new UN secretary-general.

And when President Chirac visited the Middle East in October, some in Washington saw it as meddling in a region that has become a quasi-monopoly of U.S. diplomacy. The French, meanwhile, have resented the upsurge of American interest in Francophone Africa.

The current French-American tension is as much about emotions and status as about objective interests and conflicting views of the world.

It reflects the inevitable competition between two nations that have often offered themselves as universal models. And it reveals the sense of frustration of France, which became a middle-sized power after 1945, while America became a superpower.

These French-American tensions have come largely as a surprise to both parties. President Bill Clinton, when he was elected in 1992, wanted Europe to play a greater and more autonomous role in security matters, though the war in Bosnia dispelled the illusion that the Europeans could meet the challenge.

France under Mr. Chirac, a Gaullist leader with a personal fondness for America, also had the best of intentions toward the United States.

What is really at issue now between France and America is their needlessly adversarial style of dealing with one another. From a French, if not a European, perspective, American officials act as if only the United States mattered in international diplomacy.

This perceived arrogance — which has nothing to do with the American imperialism so often denounced in Paris — has not meshed well with the flamboyant, activist style of the French president and the often contradictory tactics of the new French administration.

France's dilemma is that only a united Europe can balance America.

On matters on which Europe in fact is united — world trade talks, for instance — France can successfully confront the United States. But when France tries to act unilaterally, it angers both its European partners and the United States.

Balancing America is one thing. But France cannot define a European identity based on opposition to America. And the United States must realize that how it treats France will affect its relations with other European partners.

France and the United States are old allies. In spite of the imbalance in their relationship, they should show more understanding of each other's unique character.

The writer, deputy director of the French Institute for International Relations and editor of its publication Politique Etrangere, contributed this comment to The New York Times.

IN OUR PAGES: 100, 75 AND 50 YEARS AGO

1896: Paris in White

PARIS — Christmas dawned seasonably enough in Paris, a whirling snowstorm early in the morning having covered the whole city with a mantle of white. On the boulevard the scene did not differ from previous years except that a certain amount of "movement" was lacking, and not so much business was apparently done. Jugglers, or "prestidigitateurs," drew goodly crowds, and so did vendors of bird-whistlers. The attendances at the Paris churches have never been so great, especially at the Madeleine.

1921: A Gift for Debs

WASHINGTON — Christmas gifts were made to Eugene V. Debs, under a ten-year sentence at the Federal penitentiary at Atlanta for working against the draft law during the war, and twenty-three other Federal prisoners, when President Harding commuted Debs' sentence and gave the others full pardon. In regard to not giving a full pardon to Debs, President Harding said: "He is a man of much personal charm, which makes him dangerous, for he is calculated to mislead the unthinking and afford an excuse to those with criminal intent."

1946: Papal Warning

ROME — Pope Pius XII's speech will go down in Catholic history as one of the most important ones. Thousands of Romans had once again gathered in front of the majestic basilica to listen to the Pope's words. The Pontiff called for an early, just and definitive peace, warning that "constant agitation" of Europe's peoples, and their "disillusionment and discontent" over the war's aftermath, might give rise "to the flames of new conflicts."

Optimism Holds in Hebron Talks

Accord in Principle Is Reached Despite Protests

Agence France-Presse

JERUSALEM — Negotiators worked Wednesday to seal an agreement handing the explosive West Bank town of Hebron to Palestinian control, although prospects of a deal sparked violent protests by Israeli settlers.

The talks went on despite the occupation by Jewish settlers of two empty Palestinian houses in Hebron early Wednesday.

Israeli police evicted about 20 settlers, clashing with several of them and making 10 arrests, witnesses said.

The settlers took over one house that was in ruins and another under construction, and stuck up posters denouncing plans to redeploy Israeli forces and turn four-fifths of the town, which is home to more than 120,000 Arabs, over to Palestinian control.

Three gasoline bombs were thrown at Israeli soldiers and settlers in Hebron, but caused no injuries or damage, Israeli military sources said.

Wednesday's talks followed optimistic statements from both sides after a meeting Tuesday between Prime Minister Benjamin Netanyahu of Israel and Yasser Arafat, the Palestinian leader.

"We have reached an accord in principle on the main issues, but we have to formalize them, which will take time," an Israeli spokesman said.

Mr. Arafat's top deputy, Mahmoud Abbas, who supervises the talks on the Palestinian side, said Wednesday he hoped there would a conclusion in a week.

"Certain points of disagreement will be resolved today or tomorrow, and I hope that, in a week, the negotiations will be concluded and the accord signed," Mr. Abbas said in Amman after meeting Prime Minister Abdel-Karim Kabariti of Jordan.

Leaders of the 400 to 500 Jewish settlers living in Hebron enclaves and of the 6,000 Kyriat Arba settlement residents nearby called in a statement for "thousands of Jews to come to Hebron" at the end of the week to show their opposition to the redeployment plan.

Internal Security Minister Avigdor Kahalani, however, warned on Israeli public radio Wednesday that the "police would maintain order in Hebron, and not permit extremist settlers to disrupt the situation."

■ 'Real Progress' Is Reported

Barton Gellman of The Washington Post reported Wednesday from Erez Crossing in the Gaza Strip:

Israeli and Palestinian officials and their American mediators described the talks Tuesday — the longest face-to-face encounter yet between Mr. Arafat and Mr. Netanyahu — as substantive and constructive, with Dennis Ross, the U.S. special Middle East coordinator, saying the meeting was "extremely productive" and made "real progress."

In a sign, perhaps, that the endgame is near, Mr. Arafat was said by associates to have twice stormed, shouting, toward the door, allowing himself to be persuaded both times to return. Similar displays accompanied previous accords with Israel as their final texts took shape. Israeli negotiators took them to be last bids for advantage, while Palestinians described them as expressions of Mr. Arafat's ambivalence and distress.

This week's sudden momentum of the talks on Hebron, after months of deadlock, chagrined Jewish settlers in the city and their strongest supporters in Mr. Netanyahu's government. Only nine of the 18 cabinet ministers, according to news reports, were prepared to say they would vote for a Hebron accord, with four firmly against and five undecided.

In Hebron, the settler spokesman, Noam Arnon, sat wearily in his office, interrupting conversations at each radio bulletin.

"Even the international law is on our side," he said. "International law forbids negotiating with terrorists. And that is what they are — terrorists."

As always, Palestinians were little friendlier toward the settlers. Asked in his municipal office whether Jews could safely live in Hebron after a troop withdrawal agreement, Hebron's mayor, Mustafa Natche, replied: "We hope it will be safe for us from the settlers, because you know the settlers are armed with machine guns and we are civilians, unarmed."

Hebron is the only place in the West Bank where Jews have made their home in the center of a Palestinian city. Their presence reflects Hebron's biblical importance to Jews as the burial place of Abraham and the first two generations of Jewish patriarchs and matriarchs descended from him. Muslims, who also revere Abraham, pronounce his name Ibrahim.

The Tomb of the Patriarchs, in central Hebron, which Jews call the Cave of Machpelah and Muslims call the Ibrahimi Mosque, is the emotional focus of their rival claims. Since a 1994 massacre of 29 Muslims the tomb has been divided for separate worship.

Israeli police seize two women on a roof in Hebron while keeping Jewish settlers from taking over Arab houses.

3 Killed and 50 Hurt in South Africa Bombings

New York Times Service

JOHANNESBURG — Two bomb blasts ripped through a shopping area in a farming town at the heart of South Africa's wine country, killing one adult and two children and wounding at least 50 other people.

There was no immediate claim of responsibility for the blasts on Tuesday, and police officials said they had no idea what the motive for the bombings had been. The officials said there was no local gang warfare, and the local political situation was calm.

The first bomb, placed in a concrete litter basket, ripped through the ceiling of a small shopping center, blowing away a section of the roof and raining glass and debris on customers. The blast went off shortly after 1 P.M. when the shopping center in Worcester, about an hour's drive northwest of Cape Town, was packed with people doing Christmas shopping. The second bomb went off about 10 minutes later outside a pharmacy a few blocks away.

Officials said they were looking for three "nonwhite" males in a red car who were seen speeding away from the site of the second bombing.

Zaire Shuffles Posts for Crisis Government

The Associated Press

KINSHASA, Zaire — Opposition leaders and supporters of President Mobutu Sese Seko have agreed on a new "crisis government" that retains embattled Prime Minister Leon Kengo wa Dondo.

The move, announced on state television Tuesday, followed a struggle for the prime minister's job. Critics said Mr. Kengo had mishandled a rebellion in eastern Zaire that left the country in chaos and sparked an international refugee crisis.

The defense minister was replaced, a move that had been expected because of the routing of Zairian troops by the Tutsi-backed rebels. The foreign minister also was replaced.

Marshal Mobutu's supporters and opposition leaders met Monday and agreed on the new list of 27 ministers and 13 junior ministers, many of whom served in the previous government.

Marshal Mobutu approved the list and officially ordered Mr. Kengo to form the new government.

After reading the names of the new ministers, a presidential spokesman, Sombo Dibele, announced that Marshal Mobutu had gone to his hometown of Gbadolite for Christmas.

Mr. Kengo's critics said his Rwandan Tutsi heritage had made him too soft in handling the rebels in the east.

Among other things, they also said he should have suspended payments on Zaire's foreign debt and channeled that money instead to the war effort.

Mr. Kengo's most militant opponent, Etienne Tshisekedi, considers himself Zaire's democratically elected prime minister based on his selection in 1992 at a transitional National Conference. In the past week he had waged a political battle for the job that led to street clashes between his and Mr. Kengo's supporters.

Mr. Tshisekedi, who boycotted a meeting with Marshal Mobutu last week, said Tuesday he would not participate in the new government.

■ East Zairian Town Falls to Tutsi Control

Tutsi-led rebels have taken control of the key east Zairian town of Bunia after a 12-hour bloody battle with government forces, rebel leader Laurent-Desire Kabila said Wednesday, Agence France-Presse reported from Goma, Zaire.

Bulgaria Maintains Slow Approach on Market Reform

Reuters

SOFIA — Bulgaria's ruling ex-Communist party has stuck to the go-slow approach on market reforms that was taken by Zhan Videnov, the outgoing prime minister, setting the stage for further confrontation with a population angry over plunging living standards.

The Bulgarian Socialist Party congress, called after Mr. Videnov quit on Saturday in the face of public protests, elected his deputy, Gueorgui Parvenov, as new party leader on Tuesday and confirmed the moderate reform program it adopted two years ago.

The party also decided to form a new government that will rule until general elections that are expected in 1998, although the office of prime minister remained vacant after Mr. Parvenov refused to take the job.

The party's tentative approach to reform was condemned by commentators as failing to solve the country's urgent economic problems, which have sparked months of angry street demonstrations.

"The extraordinary congress was not willing to take emergency measures to get the country out of crisis," said Alexander Lilov, the former party chairman who opposes Mr. Videnov.

"The congress supported Videnov when public opinion refuses to back him," said Ivan Krastev, a political commentator who is close to the opposition.

"Carry on a la Videnov without Videnov," wrote the commentator Yevgeny Dainov in a description of the congress.

Ivan Kostov, head of the Union of Democratic Forces, the main opposition grouping, said a Bulgarian Socialist Party government was "incapable of carrying out liberal reform."

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HEALTH/SCIENCE

TOMORROW: LEISURE

A New Last Rite: Storing the DNA

By Gina Kolata
New York Times Service

NEW YORK — Dr. Jerry Miller says he came within a hairbreadth of missing his last chance to save a bit of his mother for posterity. Dr. Miller, a Philadelphia dentist, had already decided that he wanted his mother's genetic material, or DNA, preserved, just in case it might be useful in the future when he or his children, or, possibly, his great-grandchildren, might want to know if they had inherited any disease-causing genes.

He even knew how he wanted to store his mother's DNA. His friend, John R. DePhillipo, was the chief executive officer of a new company, GeneLink of Margate, New Jersey, that promises to protect and preserve DNA, which can be collected from cells that are swabbed from the inside of a person's cheek.

But last May, when Dr. Miller's mother died at the age of 88, her DNA was the last thing on anyone's mind, except, of course, Mr. DePhillipo's. At the funeral, Dr. Miller said, Mr. DePhillipo turned to him and asked, "Did you do it?"

"Do what?" Dr. Miller replied. Then, Dr. Miller said, he understood what his friend was talking about. Dr. Miller had forgotten to get his mother's DNA.

Mr. DePhillipo produced a DNA collection kit and the two went to the funeral director, who, Dr. Miller said, swabbed his mother's mouth and sent the swab to GeneLink. The concern, as it does with DNA swabs, sent the sample to the University of North Texas Health Science Center at Fort Worth, where the DNA would be extracted and stored.

GeneLink is one of the first companies to capitalize on what it hopes will be a growing new market: storing, in perpetuity, a person's DNA. But medical experts are divided on the idea. Some see it as a foretaste of the future. Others say it is an attempt to cash in on the public's fascination with DNA, saying that there is no obvious medical benefit to most people for storing DNA.

GeneLink is enlisting funeral home directors to offer its product and teaching them how to obtain the DNA samples from corpses.

George Kriegshauser, the regional president for Service Corp. International, a Houston company that owns funeral homes and cemeteries, said his company was taking "a very, very soft approach." DNA banking "is something that just is not known and understood by a lot of people who come into a funeral establishment," Mr. Kriegshauser said.

Mr. Kriegshauser said that the DNA retrieval kits cost funeral homes about $100 and that his company charges families $175 for collecting DNA and having it stored for 25 years.

But swabbing the mouth? That well-known repository of bacteria? What if, bacterial DNA gets mixed in with the person's DNA and, in years to come, someone concludes that grandmother seems to have been an E. coli?

Not to worry, said Dr. Arthur Eisenberg, who directs GeneLink's DNA repository at the University of North Texas. There is a common commercially available chemical technique for retrieving human DNA from the mix.

Dr. Aubrey Milunsky, who directs the Center for Human Genetics at Boston University, said he was skeptical of the entire enterprise. He maintains a bank of DNA of people with rare inherited diseases, for which the gene or genes responsible have not yet been found. But, he added, that is a different situation from storing the DNA of the general public.

Dr. Barbara Weber, who is a medical geneticist at the University of Pennsylvania, also stores DNA for research purposes. But even though one of the founders of GeneLink, Dr. Richard Ricciardi, a microbiologist, comes from the university, she said the company was capitalizing on "people's fears about their DNA" and the secrets it might hold. But medically, she said, "I don't quite get it."

Unless a person has a strong family history of a disease, she said, "I can't see that this is going to be of tremendous value." A woman who wants to know if she has a breast cancer gene, for example, can simply have her own DNA tested. She does not need her father's DNA, or her great-grandmother's.

DR. Ruth Macklin, an ethicist at Albert Einstein College of Medicine in the Bronx, said that to her mind, the benefits of storing DNA outside of research institutions was hypothetical while the costs — GeneLink suggests that funeral directors charge $175 to $295 for collection of DNA and storage for 25 years — are real.

"Before I decide to do anything in my life," Dr. Macklin said, "I ask, 'What is the purpose? Who may benefit aside from the companies, and who may be harmed?' At the very least, I would say this is premature. It's a rush to market."

Garlic as Heart Shield? Whiff of Doubt

By Lawrence K. Altman
New York Times Service

NEW YORK — The suggestion that garlic has protective effects against heart disease has been challenged by a study in England that found that a powdered form of the clove was no better than a dummy pill in lowering cholesterol and fats in the blood.

Earlier studies had suggested several benefits of garlic in protecting against heart disease and heart attacks. One is to reduce the level of cholesterol and other lipids, or fats, in the blood. A second is to block the action of platelets, the tiny fragments that help blood clot. A third is to enhance the activity of antioxidants.

But studies suggesting the lipid-lowering benefits have been criticized for flaws in the way they were carried out, and experts have called for better controlled studies to clearly delineate garlic's cardiovascular benefits.

So a team of nine scientists in England did what they described as a rigorous two-part study. One was a scientifically controlled study of 115 participants. The other was a type of statistical review of other studies known as a meta-analysis.

The study tested the effects of garlic on 115 participants aged 35 to 64 who had not been able to lower their lipids sufficiently through diet. The group had high total cholesterol levels, ranging from 232 to 329 milligrams per deciliter. They also had low-density lipoprotein levels of 135 or higher, which is above the desirable level.

The 115 participants were split into two smaller units. One took an odor-controlled Kwai dried garlic tablet three times a day for six months. The other unit took a pill that was similar in appearance but that contained lactose, a sugar, but no garlic. Neither the participants nor their doctors knew the contents of the pills.

No statistically significant differences were found between the two groups in terms of the level of lipids in their blood, the team headed by Dr. H.A.W. Neil of the University of Oxford reported earlier this year in The Journal of the Royal College of Physicians of London.

Dr. Neil's team said its findings were consistent with a smaller study reported last year in which garlic also failed to lower the level of lipids in the blood.

The scientists included their new study in the statistical review. They found a cholesterol-level drop of 25, which was less of a reduction than earlier meta-analyses had found.

The researchers also pointed to shortcomings in the original studies as one explanation for this apparent reduction.

Beyond Aerodynamics, or How Insects Fly

By Warren E. Leary
New York Times Service

NEW YORK — With the help of a giant, smoke-spewing mechanical moth, researchers say they have finally figured out how insects fly.

That insects fly is obvious to everyone who has tried to enjoy a picnic in the midst of clouds of flies and gnats or anyone who has come too close to a beehive. But, aerodynamically speaking, these bugs should be on the ground competing with ants.

Now, researchers at the University of Cambridge in England say they have discovered how insects like bees pull their big bodies into the air with tiny wings in ways that defy conventional aerodynamic principles. When flying, they say, insects create whirling spirals of air above the front edges of their wings, providing extra lift.

Dr. Charles P. Ellington and his colleagues said they had found that as insects flapped their wings downward, some of the air that flowed over the wings rolled up along the entire front edge like a cylindrical window shade. This vortex is in the form of a conical spiral that grows as it sweeps along toward the wingtip, they said.

The spiral of air clings horizontally to the leading edge of the wing and slides down from the base to the tip before being replaced with another vortex generated by the next downward flap, they found. The vortices extend back behind the insect from each wingtip and form a ring around the puff of air generated by the wing stroke, photographs show.

Dr. Ellington said in an interview that the vortex created a region of low pressure above the wing, which generated lift because of higher pressure under the wing pushing up: "Each vortex is a low-pressure area that kind of sucks the wing upward, creating an extra lifting force."

Scientists have long noted that the wings of many insects produce more lift than can be explained by traditional aerodynamic laws, but the source of the extra lift had remained unknown.

"Most people suspected that a leading edge vortex would account for the extra lift, but studies in the past either didn't see the vortex or the forces that they detected were smaller than expected," Dr. Ellington said.

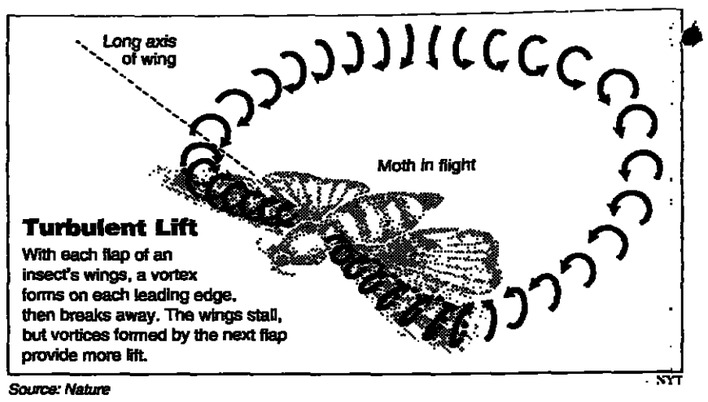
The Cambridge group, in a report in the current issue of the journal Nature, said it had refined detection techniques by flying large hawkmoths in a wind tunnel and taking high-speed, three-dimensional pictures of smoke trails moving over their wings. In addition, the researchers were able to visualize the leading-edge vortex using a mechanical moth with a three-foot (one-meter) wingspan that shot smoke from the edge of the wing.

"Ellington's group has found a big piece of the puzzle of how insects fly by generating lift greater than their body weight," said Dr. Steven Vogel, a professor of zoology at Duke University who is a leader in studying the motion of animals.

Professor R. McNeill Alexander, an expert in biomechanics at the University of Leeds in England, praised the work in a commentary in the same issue of Nature. Dr. Ellington and his colleagues, he said, "give us the first clear evidence that one particular mechanism is the most important one." In effect, he said, "they have discovered how a typical insect flies."

Dr. Alexander said in a telephone interview that the biggest surprise of the work was the discovery that the leading-edge vortices spiraled out along the wings toward the tips in a corkscrew fashion. This motion, he said, may help stabilize the vortex, delaying its separation from the wing and enabling it to retain its lifting strength longer than otherwise possible.

"It remains to be discovered whether similar effects occur in the flapping flights of birds," Dr. Alexander observed in his commentary. "In some cases, such as in slow or hovering flight, birds also generate more lift than conventional aerodynamics can explain."



TO study insect flight, the Cambridge group focuses on hawkmoths because they are big, having wingspans of about four inches (10 centimeters), and flap their wings relatively slowly, making them easier to study. The researchers said the moth's wing movement was also typical of many insects.

In a series of experiments, hawkmoths were held in a loop of thread attached to a stiff wire to keep them in the breeze from a small wind tunnel. The blowing air contained thin streams of smoke to show how the air flowed over the wings and the researchers used a special video camera to capture the motion at 1,000 pictures a second.

Evidence of the wing vortices appeared above and just behind the front edge of the wing when the moth flapped down. Instead of just flowing over the top, the scientists reported, a layer of air curled up into a cylinder along the edge.

The researchers saw what they thought were vortices, Dr. Ellington said, but the effect was so small along the moths' wings that the smoke just flowed around it without revealing any details. At this stage, the scientists decided to build their monster moth, which they called "the flapper."

They made a computer-controlled mechanical moth whose body houses four motors and a gearbox to drive the movements of the robot wings. The wings, made of an elastic cloth stretched over a framework of brass tubes and joints, are designed to generate smoke from the leading edge.

Although the mechanical moth flaps more slowly than the real thing, it accurately models the motion of insect wings, Dr. Ellington said. The machine was able to generate smoke into the vortices, allowing scientists to see the complex patterns of spirals and loops moving from the wings for the first time.

Disease Attacks Florida Reefs

By Nick Madigan
New York Times Service

KEY WEST, Florida — Diving offshore south of here recently, Craig Quirolo was shocked to find much of the coral a sickly white, smothered by a mysterious disease that was choking the life from reefs more than 5,000 years old.

"They're sick and they're dying," said Mr. Quirolo, who founded the Reef Relief conservation group. "When the coral reefs go, the fisheries go, and there goes our food chain."

The newly discovered affliction, named white pox by marine biologists, comes after several other ailments have consumed coral ecosystems around the world, a situation most often linked to pollution and other intrusions by people. But the white pox is so new that scientists do not yet know what causes it, let alone how to stop it. If it spreads unchecked, the scientists fear, the entire shallow-water marine ecosystem of the Florida Keys could be thrown off balance.

Coral colonies, composed of innumerable tiny polyps living in a symbiotic relationship with brilliantly colored algae called zooxanthellae, are under assault, experts say, not only from pollutants like agricultural runoff, oil slicks and trash, but also from dropped anchors, probing divers and global warming.

Dr. James Porter, a marine ecologist at the University of Georgia who has been studying corals off South Florida for more than two decades, said that in some areas near Key West, the white pox had killed 50 percent to 80 percent of the elkhorn coral, or Acropora palmata, the dominant coral form in the area.

The two reefs most affected are Eastern Dry Rocks and Rock Key Reef, 5 to 7 miles south of Key West, part of a wide swath of reefs that attract many divers, snorkelers and fishing enthusiasts.

BOOKS

IMAGININGS OF SAND

By Andre Brink. 352 pages. $24. Harcourt Brace.

Reviewed by
Richard Bernstein

THE exile's return is the archetype of this new novel by the South African writer Andre Brink, whose previous books include "A Dry White Season" and "An Act of Terror."

A few days before the elections in South Africa that will end white minority rule and bring Nelson Mandela to the presidency, Brink's main character, Kristien, who lives in London with her scholarly boyfriend, receives a call from Anna, her sister.

The news is that their grandmother, known as Ouma, has been injured in an arson attack on their ancestral home, a former ostrich farm in Cape Province. Though Kristien, who narrates the story, had vowed never to return to South Africa, the next day she is on a plane bound for a complicated encounter with memory, family and politics.

As we follow Kristien back home, we enter a landscape familiar to readers of Brink's other books, which have fused fiction with the anti-apartheid sensibility of a small band of liberal Afrikaner writers. The ingredients this time include white vigilantes led by Kristien's brother-in-law, Casper, mounting last-minute opposition to the arrival of majority rule.

Early on there are atrocities against blacks impetuously and wrongly suspected in the arson attack. A wounded black man, wanted by the vigilantes, takes refuge in the cellar of Ouma's home, where Kristien secretly nurses him back to health.

It would be wrong, however, to see "Imaginings of Sand" as a political novel, though political events do wrap themselves around Kristien's confrontation with family history, her strained love affairs and above all her dying grandmother. This is a story of personal struggle and redemption as well as one of historic sweep and ambition. But it is also a ramshackle, muddled work always threatening to blow apart by virtue of its very extravagance.

Among the problems with "Imaginings of Sand" is a horrific, bloody ending that is no doubt intended to provide an epiphany for readers but comes across instead as implausible and melodramatic.

More generally, Brink combines a superheated, miracle-filled matriarchal history of South Africa, echoing loudly and rather imitatively of Latin American magical realism, with the naturalistic, time-and-earth-bound story of Kristien's return to her grandmother's wrecked homestead.

The effort is often interesting, Brink being an abundantly talented storyteller, but the whole seems like a collection of rooms in a sprawling mansion, each designed by a different architect. The elements of hyperbolic fantasy, which include, for example, flocks of birds acting like guardian angels, the personifications of hovering spirits, do not so much create a sense of the land as a site of mystery and tragedy as they give Brink's story a sappy, New Age supernatural gloss.

At the center of things are the two women, Kristien and Ouma, whose given name is Kristina. Separated by two generations and by the younger woman's exile, the two are nonetheless secret sharers, spiritual twins, and the grandmother's dying days are to be a kind of initiation rite for Kristien as Ouma draws her into the closed circle of family history and identity that she had tried to escape.

Kristien is an angrier version of Ouma, strong-willed to the point of petulance, the kind of person who jabs her way through life as though it were a boxing match. And life has given her plenty to jab at.

The world of "Imaginings of Sand" is one in which the white men are boorish and stupid, the white women, except Kristien and Ouma, weak and submissive. The symbols of authority who play walk-on roles — the police, the pastor, the doctor — are obtuse, violent or befuddled.

Casper, the husband of Kristien's sister, Anna, is a dangerous oaf who tried to seduce Kristien on the day he married Anna, and he insists that Kristien continues to long for him sexually. Kristien's boyfriend back in London is a more sympathetic figure, but he is too immersed in his own miniature world to be of much use. He calls from London just after Kristien has seen an old lover and declares that he has had a terrible day. "I lost a footnote and I can't seem to find it," he says.

There are a good many cartoon figures in Brink's world, in which, by the way, the oppressed, especially the blacks, are all that the whites are not: warm, wise and good, marred never by wickedness but by their all-too-human qualities.

Within that landscape, Kristien's adoration of her irascible grandmother is all but inevitable, even if Ouma is actually more precious, more of a poseur, than she is a genuine eccentric or rugged individualist. Ouma enjoys shocking people by having her coffin, long stored in an attic of the house, brought into her sickroom so she can test it out for comfort.

Ouma tells Kristien stories of the women in the family's past, the stories, as Kristien remembers them, that "always resolved everything, without disturbing the miraculous nature of the world."

Certainly the stories depict a miraculous world. They are about mothers who left their children to be looked after by crocodiles, wives so immense that husbands died embedded in the folds of their flesh, discarded daughters who painted erotic murals in the cellar, murals that resurfaced after puritanical relatives covered them up in whitewash.

The lesson that Kristien draws from all of this seems to be that the oppression of women is of a piece in South Africa with the oppression of blacks.

"This is the inevitable consequence of Ouma's stories," she says, reflecting on the act of horror that comes at the end of her story. "In every crisis we were granted, by special dispensation, our brief moment in the light: then back to the familiar domestic obscurity of our predestined 'place.' To suffer, to cry, to die."

That somber thought, the idea that some terrible legacy springs from the very tormented soil of the beloved country, is a powerful literary theme. And certainly the talented and thoughtful Brink has, as always, left us something big to think about, despite his book's large flaws.

Richard Bernstein is on the staff of The New York Times.

BRIDGE

By Alan Truscott

ALEX Balandin, Jennifer Blunt, Patrick Lilly and Steve Grant won the Greater New York Bridge Association's Harter Cup.

In the diagramed deal, from the event, Grant as South was permitted to play in two spades when West was overly timid. In spite of the misfit in hearts, he should have bid three clubs, earning a plus score in one way or another.

North judged well to pass, ending the bidding, but even at the two-level, South's task seemed hopeless. He had a certain trump loser and two potential losers in each of the other suits. An endplay might save one trick, but he did even better with help from the defense.

West led the club king and when this held he should have shifted to a heart. But he led a second club, and on winning with the ace, East should have returned a trump. His actual diamond shift was ducked to the king, and West had his last chance to lead a heart effectively. He returned a diamond, and South won.

In view of the original weak two-bid, Grant worked out that West must have the spade king. He cashed his spade ace and his remaining diamond winner, then exited with a trump. Finally, West shifted to his heart nine, but too late. South ducked in both hands, making his contract with an endplay whether East overtook with ten or not.

In the replay, East-West climbed to four hearts, and should have lost four tricks. But one of the losers disappeared when East led a spade and South failed to take his ace.

NORTH
♠ Q J 10 6 3
♡ Q 7 2
◇ J 10 3
♣ 9 6

WEST
♠ K 4
♡ 9
◇ K 9 6
♣ K Q J 10 8 7 3

EAST (D)
♠ 7
♡ K J 10 6 5 3
◇ Q 8 7 4
♣ A 4

SOUTH
♠ A 9 8 5 2
♡ A 8 4
◇ A 5 2
♣ 5 2

Neither side was vulnerable. The bidding:

East	South	West	North
2♡	2♠	Pass	Pass
Pass			

West led the club king.

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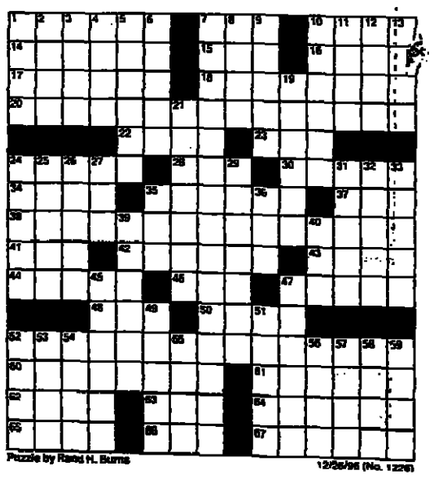
CROSSWORD

ACROSS
1 Egg holder
7 Male cat
10 Weisshorn and others
14 Having more butter and cream
15 Managed-care option, for short
16 Tropical food staple
17 *Asia Minor* capital
18 Kinsman
20 Quit
22 Joe --
23 Hit the slopes
24 Garçon's list
28 Allen of "Home Improvement"
30 Hearth
34 ET carriers
35 Eminence
37 Maya — (Vietnam Wall designer)
38 Quits
41 Lionel Richie's "You —"
42 Female fowl
43 Author Gardner
44 Short-winded
46 B.A. or Ph.D.
47 *Dinner bird*
48 Standard
50 Filled tortilla
52 Quits
60 1995 Masters Tournament winner
61 *Aspire*
62 Adjutant
63 Bio bit
64 Part of a service
65 Sphagnum, for one
66 — Paese cheese
67 Illegal firings

DOWN
1 Grueling exam
2 — del Mar, Chile
3 Highly distasteful
4 Source of roe
5 Oxygen-dependent bacterium
6 *Rush-hour pace*
7 Quit
8 Harbinger
9 Infiltrators
10 Reach
11 Place to hibernate
12 It's a ball
13 Charlie Chan's #1 and #2
19 Kind of price
21 Tablet
24 Bandleader with the 1943 hit "Brazil"
25 Burning
26 Itinerant
27 Mao — —tung
29 New England Indian
31 Exult (in)
32 Hard-twisted cotton thread
33 *Come-in*
35 Regret
36 Benign growth
39 Barks on cue, as a dog
40 Old what's- - - - name
45 Porcupine quills
47 Encourage
49 Recovery regimen, for short
51 Jai alai basket
52 Con
53 Rap music's TLC, e.g.
54 1990 World Series champs
55 Guru
56 Abbey figures
57 Prefix with suction
58 Stratford's river
59 Comprehends



Puzzle by Reid H. Burns 12/26/96 (No. 1226)

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Solution to Puzzle of Dec. 24–25

B	E	T	A		H	A	C	K		C	A	C	T	I
A	M	A	S		O	B	I	E		O	C	H	E	R
R	E	B	A		L	O	S	E		S	T	O	R	E
C	R	O	P	C	I	R	C	L	E	S		P	I	S
A	G	O		A	S	T	O		L	A	M	S		
R	E	S	O	R	T			A	L	C	O	H	O	L
		N	A	I	L	E	D		K	R	O	N	E	
P	A	C	T		C	U	T	I	N		A	P	E	D
E	L	L	A	S		V	E	N	O	M	S			
S	L	I	P	U	P	S			B	A	S	T	E	R
		P	E	P	E		S	P	O	T		R	A	E
E	N	C		P	R	U	N	E	D	A	N	I	S	H
V	A	L	S	E			L	A	N	I		E	S	T	E
I	N	O	U	R			N	I	N	E		S	H	E	A
L	O	P	E	S			A	L	E	S		T	A	R	T

U.S. Backs Digital-TV Standard

Ruling Heralds Demise Of Analog Television

By Joel Brinkley
New York Times Service

WASHINGTON — The Federal Communications Commission has approved the standard for the next generation of television, formally beginning America's transition to digital, high-definition television, the first fundamental change in television service in almost 50 years.

The first digital televisions are not expected to go on sale until early 1998, and the first high-definition broadcasts will not begin until then.

Under the commission's plan, digital television — offering sharper pictures and a host of new digital services — will gradually replace today's analog television service until finally, about 15 years from now, conventional television broadcasting will end.

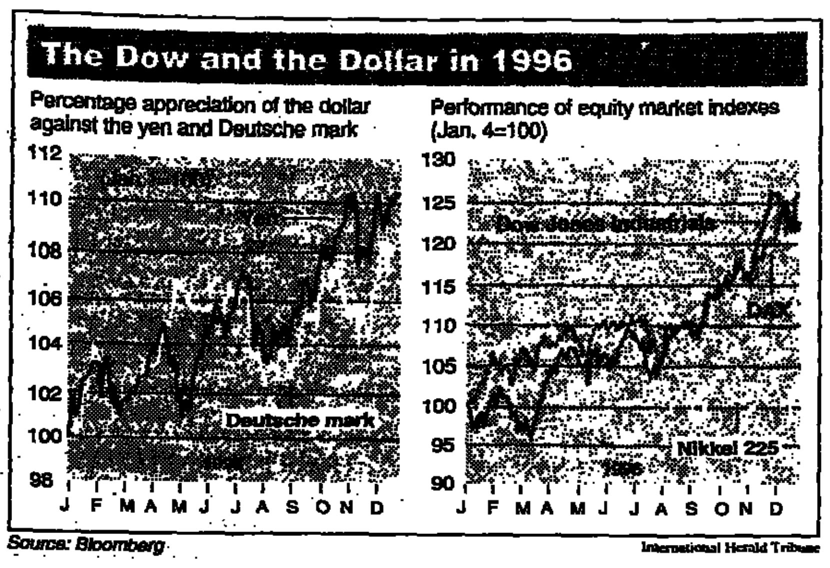
The standard approved unanimously Tuesday was a slightly modified form of a proposal drawn up by a consortium of American and European companies and institutions last year — after nine years of research, competition and debate.

But FCC approval was held up for much of this year because of complaints by computer companies that the proposal favored the television industry and made it difficult to build TV receivers into personal computers.

Finally, prodded by the FCC, the computer, broadcast and consumer electronics industries reached a compromise late last month that stripped certain technical requirements specifying transmission formats out of the standard, leaving those decisions to the industries that will build the new TV receivers.

"We're giving a huge shot in the arm to free, over-the-air, digital television," said Reed Hundt, the FCC's chairman.

The commission's next task will be to assign a second television channel to every TV station in the United States early next year. The stations will use their second channels for the new digital programming while continuing to broadcast conventional programming on their original channels.



Source: Bloomberg International Herald Tribune

Investors See a Slower '97

By Jonathan Fuerbringer
New York Times Service

NEW YORK — Now that the second super year in a row for equities is drawing to a close, U.S. investors will be looking more and more at the outlook for corporate earnings in 1997, which some forecasters believe is strong enough to support another good — although less ebullient — year for stocks.

But there are two factors that are critical to most of the earnings forecasts for 1997 — economic growth outside the United States and the value of the dollar — which investors may largely ignore but which could disappoint. With both lower-than-expected growth and a stronger dollar, earnings forecasts would fall.

Given how mixed forecasts are now, earnings growth estimates that range from zero to 10 percent could slow to anywhere from 6 or 7 percent to a decline.

"American investors have a tendency to get focused on what is happening in the U.S.," said Abby Joseph Cohen, co-leader of the investment policy committee at Goldman, Sachs & Co. "But the real swing factor is outside the U.S. The hard things to forecast have been outside the U.S. for the last three years."

Ms. Cohen has one of the more bullish estimates for operating earnings next year, with a forecast of 10 percent growth a share in the Standard & Poor's Corp. index of 500 stocks. Next year "will be a good year but not necessarily a great year for U.S. equities," she said.

But she said that an informal estimate showed that operating earnings would drop to 7 percent if the very moderate overseas growth performances assumed in the forecast did not materialize.

John Lipsky, chief economist at Salomon Brothers Inc., said the dollar's rise against the Deutsche mark and the yen in the past year also could cut into profits because earnings abroad lose value when they are translated into a stronger dollar.

The dollar, which began to rise in 1995, helped underpin earnings growth but "is becoming more problematic," Mr. Lipsky said. An even stronger dollar "certainly would be a challenge for the equity market."

Analysts are not changing their forecasts yet. But the mixed signals now coming from economies outside the United States may mean it will take some time to be sure about their contribution to American earnings and about what will happen to the dollar.

For example, the outlook for growth in the Japanese economy, which was already expected to slow in 1997, may be even more sluggish. Japan's Economic Planning Agency has announced that the country's gross domestic product is expected to grow only 1.9 percent in the coming fiscal year, which starts April 1. The government's target for the current year is 2.5 percent. The 1997 forecast for growth was the lowest since the end of World War II, and analysts have been knocking their estimates down to even lower levels.

For Europe, John O'Neill, the chief

See MARKET, Page 10

Yamaichi Bites the Bailout Bullet

Brokerage Is Last of Japan's 'Big 4' to Recast Debt

By Velisarios Kattoulas
International Herald Tribune

TOKYO — In a reminder of the scale of the bad debts still weighing on Japan's financial system, Yamaichi Securities Co. on Wednesday became the second of the "Big Four" Japanese brokerage houses this week to unveil a billion-dollar bailout for a subsidiary struggling with irrecoverable real-estate loans.

Ryuji Shirai, vice president of Yamaichi, said the brokerage would spend 150 billion yen ($1.31 billion) to help its nonbank subsidiary, Yamaichi Finance. The bailout forced Yamaichi to revise its earnings forecast for the year to March 1997 to a consolidated net loss of 108 billion yen from a previously predicted net profit of 18 billion yen.

Yamaichi's move followed an announcement by rival Nikko Securities Co. on Tuesday that it would spend 147.5 billion yen to help three affiliated units write off their bad debts. Nikko also cut its earnings forecast for the year, from a net profit of 24 billion yen to a net loss of 95 billion yen.

Yamaichi and Nikko's bailouts and forecasts for big losses followed similar moves earlier this year by Japan's two other major brokerages and came as little surprise.

But they again illustrated the difficulties that even Japan's biggest financial institutions are having dealing with an estimated $400 billion in mainly unrecoverable real estate loans and underlined that it would take years for Japan's financial system to recover from its real-estate lending binge in the late 1980s.

Over the past couple of months, Nomura Securities Co. has announced a 371 billion-yen bailout for a troubled financial unit while Daiwa Securities Co. has spent 120 billion yen. Nomura now expects to post an annual loss of 332 billion yen, while Daiwa said its loss would depend on the sale of securities.

The bailout of Yamaichi Finance was designed to maintain Yamaichi's reputation and to "reinforce its competitiveness through early write-offs of the affiliate's bad property-related loans," the company said.

The daily Nihon Keizai Shimbun said Yamaichi Finance, which mainly lends to real estate firms, plans to write off all its bad loans in three years. Yamaichi Finance, which has 140 billion yen of bad loans and assets of 360 billion yen, will receive 100 billion yen from Yamaichi Securities and borrow 50 billion yen at low interest rates, the newspaper said.

Following Yamaichi's announcement, the ratings agency Moody's Investors Service Inc. said it was upholding its Baa-3 rating on Yamaichi's senior debt and its Prime-3 rating on short-term debt, affecting $2.2 billion in debt securities.

"Although the full amount of the cash support will be recognized as an extraordinary loss, the actual impact on Yamaichi Securities will be reduced by the anticipated gain on the sale of securities and other assets and by profits arising from normal operations throughout the year," Moody's said.

Moody's said its ratings had already "incorporated the expectations of substantial losses related to its affiliate" and noted that the size of the bailout was "within the anticipated range."

"The firm's capital adequacy, though weakened by its real-estate exposures, remains adequate, given the company's liquid balance sheet and extensive domestic franchise," the agency said.

On Tuesday, Nikko said it would give 82.1 billion yen to its affiliate Kyodo Mortgage Acceptance, 47.7 billion yen to Nikko Credit Services and 17.7 billion yen to Nikko Real Estate. Although Nikko plans to provide the money to the three nonbank affiliates during the 1997 financial year, the company said it would report a one-time loss of 147.5 billion yen for its financial year in 1996.

Tiffany Seeks to Shed 'Elitist' Image

By Dana Canedy
New York Times Service

NEW YORK — Tiffany & Co. is advertising on television for the first time in its history in an attempt to expand its consumer appeal without compromising its prestigious image.

The idea is to bring in customers who may not be able to afford the $1.8 million strand of Tiffany South Sea pearls but who could spring for, say, a $40 key chain.

The commercial, which has been running this holiday shopping season in the metropolitan New York market, is titled "Vows" and was created by the McCann-Erickson USA Inc. unit of Interpublic Group of Cos. in New York.

"We've been thinking about TV for a couple of years," said Diana Lyne, a senior vice president of marketing at Tiffany. "We have four stores in New York so it made sense in this market."

The company said it would decide in the next few weeks whether the test spot, which began running in October and is to continue through December, would be expanded to other markets.

Both Tiffany and McCann declined to discuss the budget for the spot.

In the commercial, a beaming bride leaving a church has her hand resting against a car window, her Tiffany engagement ring prominently in view. An announcer says, "To the vows we make."

The camera then turns to a college graduate leaving his commencement ceremony with his proud parents as the narrator says, "To the roads we take." There are other snapshots of significant life events — a couple celebrating an anniversary, a child meeting her newborn sibling — and ends with a close-up of the trademark robin's-egg-blue Tiffany box as the narrator concludes, "And the stops along the way."

The images are meant to evoke universal sentiments. "Those things cross all boundaries and classes," Ms. Lyne said. "Hopefully, the message will appeal to everyone."

Tiffany's "something for everyone" approach is the company's attempt to lure consumers with disposable income who may consider the retailer and its gems and trinkets too snooty for their tastes and too costly for their wallets.

"What we're trying to do here is talk to people who should be coming to their stores but aren't," said Ted Pettus, creative director at McCann-Erickson. "They have things for all price points and there is nothing snooty or elitist about them."

INTERNATIONAL MANAGER

The Komansky Era Begins at Merrill

By Peter Truell
New York Times Service

NEW YORK — The negotiations were tense, the stakes were high, and the players were world-class. Merrill Lynch & Co. was trying to buy Smith New Court PLC, a London brokerage firm it had earmarked as the next "must-have" piece in its international expansion plan.

But the talks last year were snagged over the price and other concerns expressed by Smith's biggest individual shareholder, Sir Evelyn de Rothschild.

As the meeting wore into the night at the Dorchester Hotel across from Hyde Park, David Komansky, Merrill's president, eased those concerns again and again by engaging Sir Evelyn in an experts' conversation about wine, a topic almost as dear to the Rothschild family as finance. Finally, around 5 A.M., the deal was struck: Sir Evelyn agreed to Merrill's sweetened offer of $810 million.

It was a heady moment for Mr. Komansky, who had come a long way to be rubbing elbows with a Rothschild — all the way from a childhood in New York and a start in 1968 as a Merrill Lynch trainee.

Over the years, Mr. Komansky, a college dropout and self-taught oenophile, had managed to turn his street smarts and his easy way with people into a fast rise up Merrill's retail brokerage ladder.

Now he is poised to go a lot further, as is Merrill itself. Next week, Mr. Komansky succeeds Daniel Tully as chief executive, with the chairman's title coming in April.

His charge is to take the salesmanship and people skills that helped him win over Sir Evelyn and use them to complete Merrill's makeover from being a powerhouse on the gritty retail side of the securities business to a giant as well in the more genteel world of investment banking.

"Five years from today there will be six, eight, 10 at the most, truly global financial-services firms, and we intend to be one of them," Mr. Komansky said in a recent interview.

The work is well under way. Besides buying Smith New Court, Merrill recently purchased a brokerage business in Spain and another in Britain and acquired a 40 percent stake in DSP Financial Consultants Ltd. in India.

What Mr. Komansky has in mind is even more ambitious. By 2000 he wants the firm to manage $1 trillion in client assets, compared with $800 billion currently, and to derive half of its revenue abroad, compared with about a third now. He also expects the company to continue to build its retail operation, long the biggest in the United States, and to surpass its target of a 15 percent annual return on equity.

In many respects, Mr. Komansky is Merrill Lynch's ideal bridge to the next century. He may well be the last in a long line of Merrill chairmen to come up through the retail side, and the board has already approved his choice for president, Herbert Allison, an executive with extensive foreign and capital-markets experience who has never run a Merrill retail office. Traditionally, Merrill's presidents go on to take the top job.

As he prepares to take the reins at Merrill, Mr. Komansky faces new challenges in a less certain business environment. The stock market, it is assumed, is likely to suffer a serious downturn on his watch, and he will have to manage not just the biggest U.S. retail brokerage and fourth-largest mutual-fund complex but a high-priced investment-banking business through such turbulence.

An immediate task facing Merrill, along with other firms, is dealing with the flood of new entrants into the securities markets. Mr. Komansky says Congress must be even-handed as the last barriers separating the securities, banking and insurance businesses are dismantled.

"Almost by default, the Congress is going to have to look at it and do something about it," he said, because the Federal Reserve Board and the comptroller of the currency "are both taking aggressive steps to allow banks to expand into the securities business."

All Merrill wants, he said, "is the opportunity to compete on a level playing field," meaning the freedom to start or acquire a bank and, with it, to gain access to the Fed's low borrowing rates and to deposit insurance.

Fair Trade With a Human Face Gains

Movement Seeks to Reconcile Market and Working Conditions

By Paul Lewis
New York Times Service

NEW YORK — Freeing international trade has been the flavor of the closing months of 1996. President Bill Clinton successfully pressed his campaign for zero tariffs on information-age technology, first at a meeting of Asian and Pacific leaders in Manila last month, then at the meeting of the World Trade Organization in Singapore two weeks ago.

But another vision of international trade also was taking shape — the kind that brings the most economic and social benefits to poor people and to developing countries.

This vision of fair trade has scored some modest advances recently:

- In London last month, the World Federation of Sporting Goods Industries — which includes household names like Nike, Reebok and Adidas — bowed to pressure from development-oriented charities like Oxfam, Christian Aid and Unicef by setting a Feb. 14 deadline for agreeing to a code of conduct to end the abuse of child labor in low-wage Asian factories. This breakthrough came after the International Labor Organization estimated that 250 million children under the age of 14 were working in developing countries.
- The Ford Foundation is providing two modest grants totaling about $75,000 to help the American Fair Trade Association publish a directory of North American fair-trade organizations and stores — entitled "Sweatshops or Fair Trade? Now You Have a Choice!" — and to offer a new brand of fair-traded coffee next year.
- In Singapore, the World Trade Organization's 128 members affirmed support for humane working conditions in factories and agreed to uphold "internationally recognized core labor standards," including the right to form unions. They also agreed not to exploit child labor.

But under pressure from the developing countries, the international trade forum also said that industrial nations must not close their markets to exports from the Third World. Advocates of fair trade, sometimes known as alternative trade, seek to help developing countries sell their goods abroad for as much as they can, while also promoting acceptable working conditions.

In Western Europe, Australia and New Zealand, fair trade is now quite big business, with total sales estimated at $400 million to $500 million a year. Europeans consume 12,000 tons of fair-traded coffee annually; Britain, Switzerland and the Netherlands all have small fair-trading supermarket chains. In London, Christian Aid and Oxfam are trying to persuade Britain's leading supermarket and clothing chains to carry fair-traded food and clothes.

In the United States and Canada, however, fair trade is still in its infancy, with annual sales no more than $40 million.

"American consumers are far less sophisticated than Europeans," said Mimi Stephens, executive director of the Fair Trade Federation. "Most of them don't know where goods come from or what is going on in the rest of the world."

At first glance, fair trade looks like an attempt to interfere with the free play of market forces. But most economists dispute this, arguing that the essence of a free market is a free choice for consumers and that fair trading provides more information about merchandise.

CURRENCY & INTEREST RATES

Cross Rates Dec. 23

	$	£	D.M.	F.F.	Lira	D.Fl.	B.F.	S.F.	Yen	C$	Peseta
Amsterdam	1.7405	2.923	1.1223	0.3386	0.1142*	—	5.4475*	1.3063	1.5382*	1.2755	1.3225*
Brussels	31.9975	53.6225	20.6035	6.1075	2.0556*	18.36	—	23.9235	0.2804	23.435	24.46*
Frankfurt	1.5535	2.6095	—	0.2963	0.1087*	0.8914	4.8536*	1.1698	1.3625*	1.1357	1.1872*
London (a)	1.6735	—	2.5999	8.7721	2,595.42	2.9179	51.5688	2.2358	190.7121	2.2872	219.0696
Madrid	130.857	218.29	84.27	24.977	8.57*	75.084	4.0896	98.117	114.676*	95.345	—
Milan	1,517.70	2,540.75	983.90	291.60	—	877.30	47.88	1,149.34	13.397	1,115.38	11.679
New York (b)	—	1.6745a	1.5540	5.2455	1,526.80	1.7438	32.84	1.2337	114.035	1.3666	130.93
Paris	5.239	8.7795	3.3735	—	0.3431*	3.0051	0.1637	3.9167	4.5911*	3.8373	4.005*
Tokyo	Closed										
Toronto	1.3666	2.2883	0.8779	0.2604	0.0860*	0.7832	0.4265*	1.0819	1.1975*	—	1.044*
Zurich	1.336	2.2374	0.8609	0.2548	0.0874*	0.7665	4.1739*	—	1.1716*	0.9771	1.0206*
1 ECU	1.253	0.7485	1.9438	6.5309	1,910.73	2.1802	40.0983	1.6733	142.75	1.708	163.641
1 SDR	1.4387	0.8585	2.2349	7.5371	2,196.67	2.5073	46.8476	1.9264	N.Q.	1.9538	188.19

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a: To buy one pound; b: To buy one dollar; *Units of 100; N.Q.: not quoted; N.A.: not available.

Libid-Libor Rates Dec. 23

	Dollar	D-Mark	Swiss Franc	Sterling	French Franc	Yen	ECU
1-month	5 5/16 - 5 7/16	3 1/16 - 3 3/16	2 1/8 - 2 1/4	6 3/8 - 6 1/2	3 1/4 - 3 3/8	7/16 - 1/2	4 7/16 - 4 9/16
3-month	5 7/16 - 5 9/16	3 1/16 - 3 3/16	2 - 2 1/8	6 3/8 - 6 1/2	3 5/16 - 3 7/16	7/16 - 1/2	4 7/16 - 4 9/16
6-month	5 1/2 - 5 5/8	3 1/8 - 3 1/4	1 15/16 - 2 1/16	6 9/16 - 6 11/16	3 5/16 - 3 7/16	7/16 - 1/2	4 7/16 - 4 9/16
1-year	5 5/8 - 5 3/4	3 1/4 - 3 3/8	1 15/16 - 2 1/16	6 15/16 - 7 1/16	3 5/16 - 3 7/16	1/2 - 9/16	4 1/2 - 4 5/8

Sources: Reuters, Lloyds Bank.
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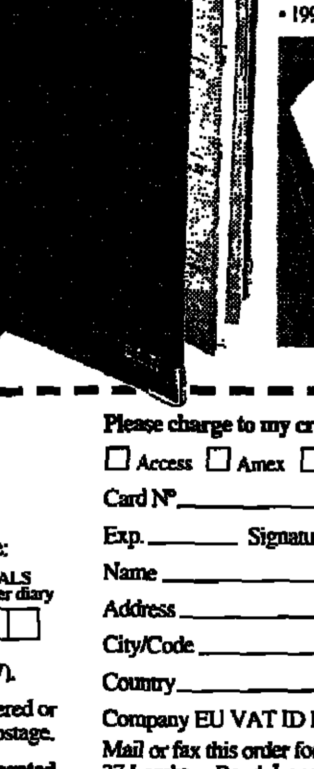

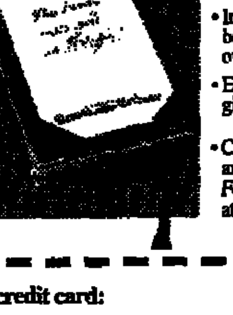

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THE AMERICAS

A Season of Full of Surprises, Many Unpleasant, for U.S. Retailers

By Jennifer Steinhauer
New York Times Service

NEW YORK — For U.S. retailers the Christmas selling season produced a script full of twists and turns. Shoppers laughed: Merchants were forced to slash prices in the last week. And they cried: Many were unable to buy items that had been sold out since Thanksgiving.

As surprise led to surprise and the season faded to a close Tuesday, sales appeared to have been stronger than in last year's dismal Christmas shopping season. But they were expected to fall short of the levels many people in the industry had hoped for, retailers and retail analysts said.

"We are not seeing numbers that match the incredibly optimistic experience people were having at Thanksgiving," said David Blitzer, chief economist at Standard & Poor's Corp. "They are coming in better than last year. But there is still a little bit of reluctance by and large to spend money."

Shoppers charged the stores in record numbers the Friday after Thanksgiving. But many of them apparently sat quietly at home for more than a week afterward, contemplating their next moves. Those who turned to catalogues often found that popular items had sold out before Christmas trees could be put up.

Toy sales, which were expected to be only moderate, were fueled on Thanksgiving weekend by a passion for Tyco Toys Inc.'s Tickle Me Elmo, and the whole sector never stopped running. Down the mall a bit, though, music stores and consumer electronic shops often sat nearly empty.

Perhaps the biggest problem for the industry, making shopping patterns difficult to gauge, was that the so-called shopping season was five days shorter than last year because Thanksgiving fell unusually late.

"This year was impossible, and anybody who tells you different is foolish," said B. D. Feiwus, president of Neiman Marcus Direct, the catalogue arm of Neiman Marcus Group.

Some retailers met their sales targets — many of which were quietly reduced as the month ticked on. But many were still disappointed.

Many retailers who said this year that they would put out far fewer sales signs than last year were still forced to discount products last week.

"My impression is that probably up until last week, retailers held the line," Mr. Blitzer said. "But that last-weekend nervousness started people discounting, so profit margins may have gotten squeezed in the end."

Who fared the best will be better known on Jan. 9, when major U.S. retailers report their monthly sales. But analysts, consultants and some retailers, who were not keeping mum, illuminated some apparent highlights of the season.

After a few weak years, apparel came back this Christmas, though how strongly *is still up for debate.* Velvet, fleece, velour, cashmere and chenille were all swift sellers.

But sales of chenille, which, unlike cashmere, can be found at many price levels, were hurt somewhat after the Consumer Product Safety Commission recalled 32,000 sweaters on Dec. 18, saying that they "burn faster than newspaper."

Other hot sellers included anything casual, from jeans at Gap Inc.'s Old Navy stores to Ralph Lauren's lower-priced line at Federated Department Stores Inc.'s Bloomingdale's chain.

"The good news for mall operators this year was that strength of apparel," said Mark Schoifet, a spokesman for the International Council of Shopping Centers.

Some specialty retailers cannot help but do better than last year. Ann Taylor Stores Corp., for instance, is expected by Goldman, Sachs & Co. to post December *sales gains of 5 percent to 8 percent at* stores open at least a year, after a 13.8 percent drop in 1995.

Bargains never go out of style, and shoppers rewarded retailers that offered them.

"I would say 90 percent of what I bought this year was on sale," said Tammy Stoneham, who was shopping with her 14-year-old daughter Darby at a mall in Abilene, Texas, on Friday. "I prefer Wal-Mart and Target to stores here because they are more reasonable and there is more to choose from."

Stores offering low prices — ranging from Ross Stores, an off-price merchant, to Consolidated Stores, a discounter — are expected by analysts to have strong December sales.

"The type of stores that sell things that you can buy without going broke did well," said Kurt Barnard, president of Barnard's Retail Marketing Report. "*Shoppers* are out to spend money, but they have told us they want to spend without digging too deep in the flesh."

Another big seller appeared to be housewares. Stores like Williams-Sonoma and its Pottery Barn chain were full of shoppers, and items from stemware to bread makers to picture frames to towels were moving *in many malls.*

That trend trickled into the catalogue sector, where kitchen-related items and food itself moved smartly. Catalogues held the line on inventory more than other retailers. L.L. Bean and Land's End sent many shoppers reluctantly to the mall when low levels of inventory meant that demand outweighed supply.

Very briefly:

FCC Seeks Big Cut in Phone Fees

WASHINGTON (LAT) — Federal regulators have unveiled proposals to reduce the $23.4 billion in fees that long-distance carriers pay U.S. local phone companies each year to connect toll calls.

If the plans that the Federal Communication Commission unveiled Tuesday are approved and companies pass along the savings, residential and business customers could see a huge drop in their phone rates.

Local phone-company officials acknowledge that the fees, *which average about 35 cents for every dollar spent on a long-*distance call, exceed costs. But the fees are one of the largest sources of local phone-company revenue, and the local companies want the agency to allow market forces to bring them down gradually. The commission asked for industry comments on the proposals, and final action is expected in the spring.

Treasury Delays Indexed-Note Sale

WASHINGTON (WP) — The Treasury Department is delaying the first auction of its inflation-indexed 10-year notes, which had been scheduled for mid-January.

Roger Anderson, deputy assistant Treasury secretary for federal finance, said the government needed more time to put finishing touches on the securities. He declined to give details or to say when the Treasury would go to market with the notes.

• **Texaco Inc.** said it would complete its departure from the chemicals business by selling a facility in Port Neches, Texas, that produces propylene oxide and the gasoline additive methyl tertiary butyl ether to privately held **Huntsman Corp.** for about $600 million.

• **BellSouth Corp.** said it had launched a public tender offer to buy at least 54 percent of the Peruvian communications company **Tele 2000** for $1.50 a share.

• **WMX Technologies Inc.**'s top three executives should be removed because of the waste-management company's poor performance, New York-based **Soros Fund Management,** which holds about 5.2 percent of WMX's shares, said.

• **Credit unions** can enroll members who do not have an occupational bond with the nonprofit institutions' core membership, a federal appeals court in Washington said, temporarily lifting a ban in a six-year-old case that is being appealed to the U.S. Supreme Court. *Reuters, AFX, Bloomberg, AP*

U.S. Housing Market Recovers

Prices Rise With Biggest Sales in a Decade

By Nick Ravo
New York Times Service

NEW YORK — From the ashes of the late 1980s and early 1990s, the residential real estate market in the United States is rising again. But next year is not likely to be as good as this one.

After being slow almost everywhere for several years, sales of both new and existing houses hit all-time highs nationally and in most regions in 1996.

At the same time, house prices — which had been flat or falling for years in many areas — outpaced the official inflation rate of 2.9 percent in most areas of the United States.

"Nationally, it was the best year in terms of housing appreciation since 1987," said Mark Zandi, chief economist at Regional Financial Associates, an economic consulting firm in West Chester, Pennsylvania.

Even in the Northeast and Southern California, the most sluggish markets in the nation, there are signs of life. For example, the median sale price of existing houses in New Jersey rose 4.4 percent this year, to $168,300. In New York, prices rose 2 percent, to $140,600.

In Southern California, prices rose between 1 percent and 3 percent in Ventura County north of Los Angeles and in Orange County and San Diego to the south. Los Angeles County also managed a modest gain.

"Overall, we are expecting prices to rise 2 percent next year," said G.U. Krueger, deputy chief economist with the California Association of Realtors.

Housing analysts credit low interest rates, a growing economy and improving consumer confidence for the strong U.S. real estate market.

"Employment was the driver this year," said John Tuccillo, chief economist for the National Association of Realtors. "A lot of people can get into the market now because the job anxieties they had been through have been resolved."

But the real estate recovery does not presage a boom in 1997. There are no longer the same forces at play that contributed to the heady atmosphere of the mid-1980s, when it was common to see annual double-digit price increases, multiple offers and the speculative fever that even led some people to buy a house for a short period simply to sell it for a profit.

"People bought homes in the '70s and '80s under the assumption that it was an investment," Mr. Zandi said. "That source of demand has vanished in the '90s. Now, people are buying homes for a source of shelter and doing their investing in the stock market."

The main reason for the change in the house market is that inflation — a curse to the stock market and a blessing to hard assets like gold and real estate — has been tame. Another reason is that fewer people are buying their first house.

"The demographics of real estate are not nearly as strong in the '90s as when baby boomers were entering the market and driving up prices," Mr. Zandi said.

Indeed, the monthly number of house sales, when adjusted for seasonal variations, peaked in May this year and has been, for the most part, slipping ever since.

Even so, the market is not expected to collapse as it did in the early 1990s. In fact, economists predict that the number of houses sold in the United States in 1997 will be only about 300,000 fewer than this year, while resales are projected to set an all-time record of 4.09 million.

"No disaster, no collapse, no recession — it will just be a slowdown," Mr. Tuccillo said. "The soft landing for the economy is going to be mirrored by a soft landing for housing."

MARKET: *Slower Growth in 1997*

Continued from Page 9

currency economist at Goldman Sachs, said that "there are increasing signs of economic recovery being entrenched" as opposed to being "just a monthly fluke."

But despite these signs, Goldman lowered its growth forecast for Europe slightly in its December analysis, in part because growth for 1996 was slower than expected.

The Goldman global economic forecast was one basis for Ms. Cohen's earnings forecast. "I am watching Japan," Ms. Cohen said. "That is my single biggest concern. The world's second-biggest economy seems to be decelerating again."

■ Stocks Close Higher

Stock prices closed higher Tuesday after a late rally, encouraged by strong gains in the technology and telecommunications sectors and on renewed takeover speculation targeting American Express, news agencies reported from New York.

U.S. markets were closed Wednesday for the Christmas holiday.

The Dow Jones industrial average rose 33.83 points, to 6,522.85, moving within 25 points of Nov. 25's record close of 6,547.79. It was the sixth straight winning session for the index, which has risen more than 1,400 points, or about 27 percent, this year. Only four trading days remain in the year.

The technology-laden Nasdaq market shot higher over the last half hour Tuesday as bargain hunters bid up some computer-related issues that had dipped on profit-taking in the previous two sessions.

The Nasdaq composite index rose 8.11 points, to 1,287.63, bolstered by late rallies from Intel, up 3 at 135¼, and Microsoft, up 1⅛ at 84⅞.

"A few stocks got hit hard yesterday and they've rebounded a bit, but it's not anything to brag about," said Don Hays, director of investment strategy at Wheat First Butcher Singer. Aside from technology, he said, "there was no group personality. It was just a mixed bag."

Analysts attributed much of the session's positive tone to seasonal influences and the light, pre-holiday trading.

The Dow's strongest component was American Express, which rose 2¾ to 59⅛ on speculation the company was preparing an important announcement over the holiday. The company reiterated that it is not in discussions about a sale or merger.

AT&T rose 1½ to 41 amid optimism its new president will turn things around at the telecommunications giant.

Prices of Treasury securities ended mixed. The Treasury's benchmark 30-year bond rose only 1/32 point in very thin volume, to a price of 98 31/32; the yield was 6.58 percent, unchanged from Monday.

Advancing issues outnumbered decliners by a 10-to-9 ratio on the New York Stock Exchange, where volume totaled just 165.13 million shares at the early 1 P.M. close.

(AP, AFP, NYT)

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Japan's Market Bears Give Boost to Dollar

The Associated Press

TOKYO — The dollar traded at 114.68 yen on Wednesday, up 0.35 yen from Tuesday and also above its overnight level in New York of 114.44 yen. With Tokyo one of the few markets open on Christmas Day, trading was extremely sparse.

On Tuesday, the dollar rallied in thin Christmas Eve trading, deriving strength from another tumble in the Japanese stock market to a 1996 low. Profit-taking on the British pound after that currency's recent gains and weakness in the Swiss franc because of low interest rates also bolstered the dollar.

But traders were reluctant to read much meaning into the dollar's latest advances because the scarcity of buyers and sellers exaggerated the impact of small purchases.

Nonetheless, traders said the dollar's firmness reflected a strong underlying appetite for the currency, which has appreciated nearly 11 percent against the yen and more than 8 percent against the Deutsche mark this year.

In trading in New York on Tuesday, the dollar rose to 1.5552 Deutsche marks from 1.5549 DM on Monday. The dollar rose to 1.3455 Swiss francs from 1.3373 francs. The pound fell to $1.6731 from $1.6750.

Markets Closed

Most stock markets were closed Wednesday for the Christmas holiday.

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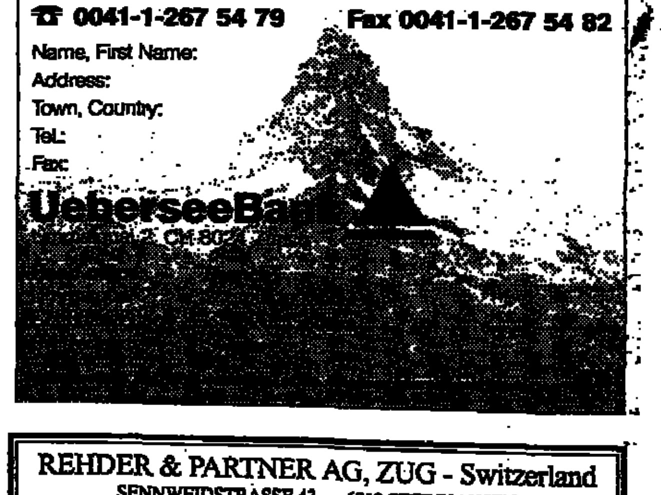

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EUROPE

CalEnergy Wins Takeover Battle

Reuters

LONDON — After a bitter battle to remain independent, Northern Electric PLC has finally fallen to a £782 million ($1.31 billion) bid led by a U.S. utility, CalEnergy Inc.

CalEnergy's bid vehicle, CE Electric, won control of the British regional electricity company on Tuesday with a wafer-thin majority, gaining the support of 50.3 percent of the votes, a margin of just 300,000 shares.

The bid was so closely fought that it missed its original deadline and the outcome was uncertain right down to the wire. Prudential Corp., a U.S. insurer, stepped in at the eleventh hour to try to thwart CE's move by buying up nearly 1 million Northern shares from investors who had previously accepted CE's bid.

"We look forward to working with Northern Electric's management to put in place a smooth transition," said CE Electric's chairman and chief executive, David Sokol.

Northern did not make a statement.

"We will give a recommendation to shareholders after Christmas," a Northern spokesman said.

The original bid deadline of Friday was extended to 1 P.M. Tuesday after CE protested to authorities about share purchases by Northern's advisers, Schroders PLC and Barclays de Zoete Wedd, the investment-banking arm of Barclays PLC. CE also protested about a £250,000 fee to BZW that was not disclosed until Friday.

Monday, an appeal by Northern to reverse the deadline extension was rejected by Britain's Takeover Panel, which regulates mergers and acquisitions. The panel left the questions over the role of the advisers unanswered.

The bid was the second hostile takeover that Northern had faced — it spent £560 million fending off Trafalgar House, now owned by Norway's Kvaerner AS.

Northern, which was the first privatized British power company to become a takeover target, initially received a £1 billion bid from Trafalgar House at the end of 1994.

But the offer was retracted when an electricity industry regulator, Stephen Littlechild, announced plans for more stringent price controls, sending electricity share prices tumbling.

Of the 12 cash-rich utilities privatized in 1990, Northern is the tenth to be taken over since March 1995, when the government's "golden share" expired.

It is the fourth to be taken over by a U.S. company. In addition, two other U.S. companies, Dominion Resources Inc. and Entergy Corp., have bid for East Midlands Electricity PLC and London Electricity PLC.

American companies are favored as the most likely buyers for the remaining utilities because they find the British regulatory environment more relaxed and see them as a useful springboard for expansion into Europe.

France Posts Trade Surplus, but Outlook Is Grim

Bloomberg Business News

PARIS — Two upbeat reports on the French economic scene have failed to alter economists' overall negative outlook for the country's economy.

The government said Tuesday that France's trade surplus widened to a record 16.94 billion French francs ($3.23 billion) in October, while a separate survey found business confidence in December at its highest level in more than a year. Economists had been expecting a surplus of 11.0 billion francs.

But the trade report also showed a disturbing downturn in domestic consumption that could translate into a grim New Year for the country's beleaguered economy, economists said.

"The good news is that exports are rising, but the bad news is that imports are falling," said Blandine de Labrusse, a fund manager at Lloyds Bank SA. "That's not at all a good sign for 1997."

Imports in October fell to 113.14 billion francs from 115.60 billion in September — helping widen the export surplus.

"Prices are dropping, and that had better not send production into too much of a decline," Ms. de Labrusse said.

The French consumer price index fell 0.1 percent in November from the previous month as car dealers lowered prices after a state-sponsored car-purchasing incentive program expired.

The French economy has been in the doldrums, suffering from unemployment at a post-war high of 12.6 percent and household consumption falling for two consecutive months.

The economy grew just 0.9 percent in the third quarter and is expected to grow just 1.3 percent in the full year.

Hope for Europe's Automakers

Cost Cuts in '96 Should Aid '97 Profit, Analyst Says

Bloomberg Business News

FRANKFURT — After sacrificing profit to cut costs and increase sales this year, European carmakers can hope for a payoff in 1997 without much change in sales volume.

The shaky economy in Europe this year made customers reluctant to spend, sparking price wars and stimulating sales of cheaper, lower-margin cars, Philip Ayton, an auto-industry analyst at BZW Ltd. in London, said.

"It was the year that the customer became king completely," Mr. Ayton said. "As the price war escalated, it cut the cash flows and cut the profits quite badly in some cases." But things should be closer to normal in 1997, he said, as carmakers see price pressures easing and bigger cars selling again.

Volkswagen AG was the big winner this year and should have no problems next year, Mr. Ayton said. Its new compact and subcompact models led it to a 9.3 percent rise in European car sales through November, according to the European Car Manufacturers Association.

Europe's largest carmaker exceeded its 1995 full-year profit by nearly 40 percent with a net profit of 465 million Deutsche marks ($300 million) in the first nine months of the year, and VW has said it expects the "positive trend" to continue next year.

The worst performer this year was Renault SA, whose new models lacked innovation, Mr. Ayton said. The French carmaker's first-half net profit plunged 89 percent to 158 million francs ($31.6 million) as slow sales in France and deteriorating margins caused an operating loss in its car business.

Renault's fourth-quarter sales were expected to be hard hit after the expiration of a government incentive program, and its chairman, Louis Schweitzer, said this week that he expected the European car market to shrink in 1997. Fiat SpA also faced problems this year after Italy decided not to renew its incentive program.

The end of those programs brought a 5.2 percent decline in Western European new-car registrations in November, marring generally steady gains made by the industry through October.

Still, registrations rose 6.4 percent to 12,025,700 cars in the first 11 months of the year, the European Automobile Manufacturers Association said. With only a week to go in 1996, all European carmakers have reported higher registrations so far this year.

VW increased its market share in Western Europe to 17.1 percent in the 11-month period from 16.7 percent a year earlier, while Mercedes-Benz AG had the highest percentage growth.

Mercedes' unit sales in Western Europe rose 15 percent to 436,550 cars through November, and the company expects to sell more than 630,000 cars worldwide by the end of the year.

Profit at the luxury-car, truck and bus unit of Daimler-Benz AG, though, has been eroded by losses on commercial-vehicle sales in Western Europe. The company expects 1996 net profit to match last year's 2.28 billion DM.

Fiat placed third in Western European sales gains, with an increase of 7.1 percent to 1,350,214 cars in the first 11 months. The Italian carmaker reported a 36 percent drop in pretax profit, to 1.759 trillion lira ($1.15 billion), in the first nine months. It blamed the slide on weak domestic demand and a stronger lira.

In Italy, where car sales have stagnated or fallen the past four years, registrations fell 0.3 percent to 1,627,000 through November.

"The delicate economic situation, the difficult job situation and heavy general and car taxes are holding down consumption, especially that of durable goods such as cars," the Italian car dealers association said this month.

In Germany, Europe's largest car market, new-car registrations rose 5.9 percent through November to 3,263,323. The German Federal Motor Vehicles Office expects new registrations to reach 3.45 million cars for 1996.

German carmakers' shares should outperform the DAX Index of 30 leading German stocks in 1997, said Friedrich Diel, a fund manager at Frankfurt Trust Investment-Gesellschaft mbH. "I think the outlook is good," he said.

The French carmakers association expects new-car registrations in France to reach 2.1 million in 1996, a 10 percent increase from 1.93 million in 1995. The chief factor behind the jump, however, was an incentive program that paid buyers as much as 7,000 francs when they traded in cars that were at least eight years old.

Austria Postpones Politically Sensitive Sale of Creditanstalt

Reuters

VIENNA — Austria's coalition government has postponed its next move in the tortuous sale of Creditanstalt-Bankverein AG, the country's second-largest bank, until after the Christmas holiday.

With Austrian markets and most offices closed through Thursday, few analysts expected any new developments in Europe's longest running privatization before Friday at the earliest.

Then, Finance Minister Viktor Klima, who is in charge of the sale of the state's 70 percent of Creditanstalt voting stock, could reopen the tender briefly to allow interested parties to sweeten their bids without drawing in new partners. The move would allow him to wrap up the six-year privatization by the end of the year as originally planned.

But a Finance Ministry source said the fragility of the coalition government made up of the Social Democrats and the conservative People's Party meant Mr. Klima was likely to tread carefully and seek a consensus, which could force him to delay the sale until mid-January.

"In theory, Klima could accept top-up bids on Dec. 27 and decide on a buyer on Dec. 30," the Finance Ministry source said. "But a postponement is looking increasingly likely."

The finance minister, he added, "is under intense political pressure" to delay the sale.

Politics have dominated the privatization of Creditanstalt, a conservative stronghold, since the issue was first raised was first in 1990.

The People's Party and Creditanstalt management have sought to protect their interests by opposing what they called "unsuitable" bids from abroad and, most recently, from the "socialist" Bank Austria.

Mr. Klima, a Social Democrat who took over the finance position a year ago, has argued his hands are tied by European Union legislation that requires him to sell to the highest bidder, which is Bank Austria.

Analysts said a conservative-backed consortium, led by EA-Generali AG, an insurer, would be the biggest gainer if Mr. Klima did reopen the bidding.

The group, which includes a savings bank, Die Erste Oesterreichische Spar-Casse Bank, Commerzbank AG of Germany and Banca Commerciale Italiana of Italy, is reportedly trying to drum up an extra 3 billion Austrian schillings ($274.5 million) to match Bank Austria's bid.

Bank Austria has offered some 16 billion schillings for the state's 19.9 million shares, worth about 14 billion schillings at current market prices.

"The whole thing has become very complicated," said Gerhard Auer, analyst at ICE Securities in London. "If Klima awards the stake to Bank Austria he risks causing a new election, which the Social Democrats don't want. He needs some time to persuade the consortium to offer a bit more."

The Finance Ministry source said negotiations were going on at all levels of government. Analysts said the conservatives would be looking for concessions elsewhere if they agree to a Bank Austria takeover of Creditanstalt.

Bank Austria's chief executive, Gerhard Randa, has vented his frustration at what he considers political interference in the sale.

"I don't get involved in politics and I wish politics would keep out of the banking business," he told Die Presse. "I remain convinced that Bank Austria offers the best solution for Austrian banking."

Very briefly:

• **France** chose a joint offer tendered by the utility **Cie. Generale des Eaux** and the media concern **Havas SA** for the state-owned production company **Societe Francaise de Production** over three rival takeover bids, the Finance Ministry said, without disclosing the terms of the offer.

• **Bunzl PLC**, the British paper and plastic-products distributor, plans to sell its German and Italian fine paper businesses to the Dutch company **KNP BT NV** for £61.6 million ($103 million).

• **Magasins Monoprix** and **Casino**, two French supermarket operators, agreed to purchase their products from the same manufacturers and suppliers in order to gain leverage in negotiating prices.

• **The World Bank** sent **Russia** the second $250 million installment of a $500 million loan for restructuring the country's ailing coal industry.

• **Framatome SA** and **Cogema** of France renewed until 2011 their agreement to regenerate light-water nuclear reactor fuels through their joint venture, GIE Fragema. *Bloomberg, AFX, AFP*

ASIA/PACIFIC

Tokyo Stocks Rebound But Narrow Volume Makes Gains Suspect

Compiled by Our Staff From Dispatches

TOKYO — Tokyo stocks rebounded Wednesday from a sharp tumble the previous day, helped by Wall Street's gains, as investors hunted for bargains among blue-chip shares.

But brokers said that the rally lacked real vigor and was accentuated by thin Christmas Day trade.

Japanese stocks had taken a battering since the government confirmed last week that it would raise Japan's consumption tax in April and end special income-tax cuts as part of a drive to rein in government borrowing.

Brokers are worried that the fiscal tightening could choke off Japan's economic recovery and hurt corporate profits.

The Nikkei Stock Average, which had sunk Tuesday to its lowest level of the year, gained 387.70 points, or 2.02 percent, to close at 19,549.41. On Tuesday, the average plunged 528.75 points, or 2.69 percent — its second sharp fall in three sessions — on growing pessimism about Japan's economy. Its close on Tuesday at 19,161.71 points was its lowest since Dec. 19, 1995.

"We can't afford a 500-point decline every day," said Masatoshi Fukada, managing director of research at Smith Barney International.

The series of slides had left global issues such as shares in big exporters looking attractively priced.

With Wednesday being the last trading day for settlement this year, some investors were anxious to buy up shares to cover their positions after the market's recent steep drop.

The year's stock trading in Tokyo will end with a half-day session on Monday. Financial markets reopen on Jan. 6 after New Year's holidays.

Japan's stock market had a full-day trading session Wednesday but activity was thinned by the absence of foreign brokers celebrating Christmas Day.

A Christmas Eve rally on Wall Street to a near-record closing high helped to give the market a mild lift early on, brokers said.

"I am a bit disappointed by today's rebound after the plunge yesterday," said Kenzo Doi, an analyst at Kokusai Securities, citing a lack of buyers at higher levels. *(Reuters, AP)*

■ Japan Creates New Watchdog

Japan's three ruling parties have agreed to create an independent body to take over supervisory authority of the financial industry from the country's powerful Finance Ministry, party officials said, according to a dispatch from Agence France-Presse in Tokyo.

The parties have studied ways to reform the Finance Ministry since February. The ministry has faced strong criticism for its concentration of financial authorities.

Earlier this year the ministry came under fire after it allowed financial institutions, particularly in the non-banking sector, to delay disposing of bad loans.

One Way to Insure the Future

Education Policies Are Big Business in South Korea

Bloomberg Business News

SEOUL — Five months into her first pregnancy, Choi Sung Sook decided to start paying for her unborn baby's education.

The wife of a banker living just outside Seoul, Mrs. Choi turned to Kyobo Life Insurance, a company that pioneered education insurance in South Korea 38 years ago, creating what is now a $2.8 billion-a-year industry.

One in four Korean households owns at least one education insurance policy, rich pickings for Seoul-based Kyobo, which now manages assets valued at $18.7 billion.

For $56 a month, Mrs. Choi's daughter, Kim Hey Yun, now 5, is assured of tuition and fees, including piano lessons, until she enters a university. Mrs. Choi plans to buy another policy for her year-old second daughter, Hey Min.

"Because of the insurance we have, we are less concerned about our and our daughters' future," Mrs. Choi said. "It is great to have something certain in this era of uncertainties."

Kyobo was the brainchild of Shin Young Ho, who saw it as a way of allowing poorer families in war-torn Korea to give their children an education.

In South Korea, parents will do almost anything to give their children a good education and secure a place at a leading school such as the Seoul National University or Ewha Woman's University. The government only provides free education up to the sixth grade, and private tutoring to pass competitive college entrance examinations is not cheap.

A student in the last year of high school who comes from a middle-class family spends an average of $1,000 a month for English and math tutoring to prepare for the examinations, and the costs of public and private education in general can take up as much as one-third of a typical family's income.

Mr. Shin's idea of offering less privileged families the vision of a better future with education insurance policies paid dividends and was soon copied by other insurers.

Now, 24 percent of South Korean households have at least one such policy, and annual education insurance premium receipts amounted to $2.8 billion last year, about 0.6 percent of South Korea's gross domestic product.

"As long as South Korean parents are eager to give their children good education, the education-insurance market will continue to grow," said Lee Seung Joo, an insurance analyst with Daewoo Economic Research Institute.

Investors will have to wait for a piece of the action, however. None of South Korea's 33 life insurance companies that offer education insurance is listed on the Korea Stock Exchange.

The Kyobo companies, South Korea's largest independent financial group, owns a brokerage firm, an investment management firm and four other units. Its Kyobo Book Center is said to be the world's largest bookstore, with 24.7 kilometers (15.34 miles) of shelf space and 1.8 million books.

Kyobo Life is second only to Samsung Life Insurance Co. in sales. Kyobo, Samsung and a few other major life insurers originally decided to go public as early as next year, but the plans became delayed out of concern that a glut of new stock would alienate investors.

Like other insurers in South Korea, however, Kyobo earns fat returns. Nearly half of its assets are lent to corporations at annual interest rates of more than 11 percent.

About 20 percent of the assets are invested in bonds, which also yield at least 11 percent. Kyobo invests about 15 percent of its assets in stocks, and the remaining 15 percent is held as cash, property or deposits. In the year ended March 31, 1995, Kyobo earned 11.5 percent on its working assets. Its net profit in its latest year rose 5 percent, to $64.6 million.

Its founder's son, Shin Chang Jae, 43, was appointed the company's new vice chairman last month. The junior son, who owns 45 percent of Kyobo Life, has long been a medical doctor at Seoul National University Hospital.

Kim Jung Oh, a company director, said Kyobo had been rather conservative in managing assets, but he said the management change would result in a more aggressive style that would include investments in foreign stocks and property.

For Mrs. Choi, insuring her daughter's education may reap a literary bonus, she said.

"She's already reading and writing very well," she said of Kim Hey. "She can become a writer."

Civil Servant Named to Head Thai Airways

Compiled by Our Staff From Dispatches

BANGKOK — Thai Airways International Ltd. said Wednesday it had appointed Mahidol Chantrangkurn, a top civil servant in the Transportation and Communications Ministry, as its chairman.

Mr. Mahidol, 56, succeeds Siripong Thongyai, a former Air Force commander-in-chief, who was not renamed to the board. Five board members in addition to Mr. Siripong were replaced on the 15-member committee.

Suwat Liptapallop, the minister of transportation, said Mr. Mahidol would bring managerial expertise and independence to the airline, whose earnings have fallen below most forecasts because of rising fuel prices, an inefficient fleet and competition among regional carriers.

Thai Airways also said it had a net profit of 3.4 billion baht ($132.7 million) in the year ended in September, up 4.5 percent from the previous year. It was the 32d consecutive year of profit for Thai Airways. Revenue was 78 billion baht, the company said.

Other new board members include Wirat Wattanasiritham, secretary-general of the National Economic and Social Development Board; Kanit Na Nakorn, Thailand's attorney general; Pracha Promnok, director-general of the national police department; Chanin Chandrubeksa, managing director of the Airports Authority of Thailand; Thamrong Chareonrat, air force assistant commander-in-chief, and Chinavais Sarasas, a director at General Finance & Securities PLC. *(Bloomberg, AP)*

Kuala Lumpur Options Exchange Sees a Prosperous 1997

Reuters

KUALA LUMPUR — The Kuala Lumpur Options and Financial Futures Exchange has ended its first year of operation with sharp growth in volume, an international award and plans for new stock derivative products.

The exchange said Tuesday it would launch stock index options, individual stock options and an Islamic index futures contract in 1997.

"We should be launching individual stock options around July 1997, while the index options should be launched before that, around April or May," said John Duggan, chief operating officer of the exchange.

The exchange, which opened in December 1995, currently trades a futures contract based on the Kuala Lumpur Stock Exchange composite index.

Mr. Duggan said the Kuala Lumpur Options and Financial Futures Exchange was looking to introduce an Islamic index futures contract after the Kuala Lumpur Stock Exchange launches the underlying index.

"This product is likely to raise a huge amount of interest and should be launched around three to six months after the index is launched," Mr. Duggan said.

The Kuala Lumpur Stock Exchange said in September it would launch an Islamic share index, which would comprise shares of Malaysian listed companies whose businesses are acceptable to Islamic principles.

"Brokers are very keen for us to introduce more products," Mr. Duggan said. "We are seeing some very strong signals from them."

Between three and five individual stock options are likely to be launched initially, Mr. Duggan said.

"We will watch the market closely and wait before we launch any more contracts. We want to maintain the market's focus," he said. "If there's demand for more contracts, we will launch them."

Stock index options are options to buy or sell a theoretical portfolio of shares, representative of a stock market index. They are traded on exchanges and can be used to manage investment risk.

A future is a standardized forward contract to buy or sell a quantity of an item at an agreed price on a given future date.

"These new products will add depth to the market," said K. Sree Kumar, executive director of KAF-Refco Futures Sdn. "Offshore participants will have more confidence in our market."

Another product due for launch on the options exchange is the Second Board index futures contract.

"We should see lots of activity on the Second Board index futures contract," Mr. Kumar said. "It should attract more players to the market and it should increase volumes and liquidity."

In February, the average daily traded volume on the exchange was around 105 contracts a day. The figure for the week to Friday was around 287 contracts a day.

"Volumes have picked up due to the volatility of the contract," Mr. Kumar said. "This volatility is due to the volatility on the Dow Jones over the last month."

Meanwhile, local media reported Tuesday that British-based World Equity magazine had chosen the options exchange as the Derivatives Exchange of the Year.

Very briefly:

• **Japan's** cabinet approved a 77.39 trillion yen ($678.41 billion) budget for next year that includes fewer bond sales, a higher consumption tax and eliminates income-tax rebates.

• **Nissan Motor Co.** has injected 50 billion yen into Nissan Europe NV to improve earnings.

• **Nokia Corp.** will invest "at least $60 million" to build a software center and a mobile phone manufacturing plant in India, an Indian economic newspaper reported.

• **Vietnam's central bank** auction of 50 billion Vietnamese dong ($4.51 million) in six-month Treasury bills failed to attract any buyers for the first time since the bank began selling bonds in mid-1995.

• **Kichinosuke Sasaki**, the president of **Togensha**, a Tokyo-based real estate company, was sentenced to 7 months in prison and fined 1.8 million yen for tax evasion and concealing assets, according to the Kyodo news agency.

• **Taiwan's** government fired the chairman of the state-owned oil monopoly, **Chinese Petroleum Corp.**, after he was indicted on corruption charges. *Bloomberg, AFX, Bridge News*

Herald Tribune INTERNATIONAL
SPORTS

WORLD ROUNDUP

No Cup for Tokyo

SOCCER Japan's 2002 World Cup organizers Wednesday named the 10 sites where its matches would be played in the event it is a co-host with South Korea.

The prospective sites did not include either Tokyo or Hiroshima.

They did include Yokohama, a port city south of Tokyo, which is a possible site for the final; Sapporo, capital of Japan's northernmost island of Hokkaido, and Oita on southern Kyushu island. *(Reuters)*

Capers Is Top Coach

FOOTBALL Dom Capers, who led the Carolina Panthers to the NFC West title in the franchise's second season, was easily voted the NFL Coach of the Year by The Associated Press. Capers received 67 votes. Denver's Mike Shanahan was second with 22 votes in balloting by 93 writers. The New England Patriots' Bill Parcells, with four votes, was the only other coach named on any ballots. *(AP)*

• Lawrence Phillips, the St. Louis running back, pleaded no contest to drunken driving and was placed on probation for three years. Phillips also was fined $1,000 plus penalty assessments — a total of $2,900 — and must serve 80 hours of community service, half of them at the Los Angeles County morgue. *(AP)*

Schott vs. General Motors

BASEBALL Cincinnati Reds owner Marge Schott could be in trouble again. The Cincinnati Enquirer reported that Schott ordered employees of her car dealership to fabricate sales, allowing the business to meet quotas and preventing General Motors from taking her franchise. GM filed a document this month with the Ohio Motor Vehicle Dealers Board alleging that Schott falsified 57 sales last year. *(AP)*

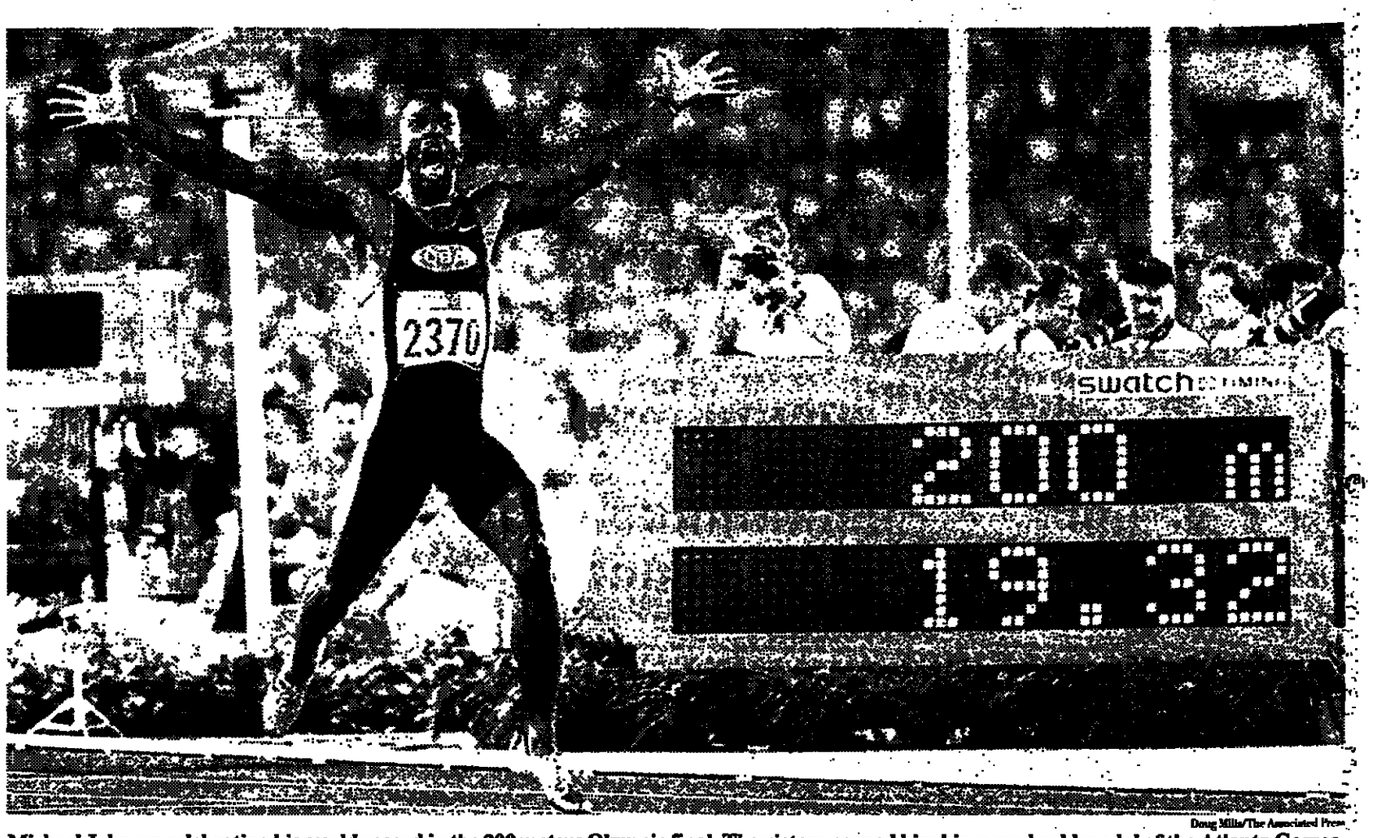
Robinson Breaks Foot

BASKETBALL David Robinson, the San Antonio Spurs' center, broke his left foot against Miami on Monday and is to undergo surgery this week. Robinson, who missed the first 18 games of the season because of back problems, is expected to be sidelined for six weeks. *(AP)*

Golden Memories of Michael Johnson's Great Year

The Highlight Of Troubled Atlanta Games

By Ian Thomsen
International Herald Tribune



Doug Mills/The Associated Press

Michael Johnson celebrating his world record in the 200 meters Olympic final. The victory earned him his second gold medal of the Atlanta Games.

THE OUTSTANDING performance of 1996 began a few strides ahead of Roger Black. He was kneeling in Lane 3 last July for the 400 meter final of the Centennial Olympic Games. Michael Johnson was in Lane 4.

"I had been building up to that race for about eight years," Black said recently from his coach's office in England. "A lot of people get intimidated from having Michael around. I was very clear about my objectives and my goals and how I could achieve them."

He might have felt like an outsider, a character actor in Johnson's two-act tour de force. The athletics schedule had been rearranged to help Johnson become the first man to win the 200 meters and 400 meters in the century of Olympic competition. Johnson wore the most audacious gold-painted shoes. The races seemed to be a personal contest between Johnson and the clock, the record books, and his own failure to win four years earlier when a stomach virus weakened him on the eve of the Olympics at Barcelona.

It might have seemed to anyone watching that Black would have had the best view in the house, that he was chasing Johnson around the track hopelessly. In fact, he was one of the few in the world who wasn't paying any attention to Michael Johnson.

"There's a time and a place for being unrealistic, and the Olympic final of the 400 meters is neither the time nor the place," Black said. "I was just looking straight ahead, just trying to hit my rhythm. If I'm focused on other people, then I'm not focused on myself. If I had tried to chase Michael to 300 meters, I probably would have come fifth or sixth."

He was in the middle of an Olympics more desperate for great athletic performance than any Games since 1972, when the Israelis were taken hostage and killed at Munich.

A pipe bomb detonated in the Centennial Olympic Park had resulted in two deaths. The Atlanta organization had been overwhelmed with less important, yet significant, complaints about overcommercialization, traffic, unreliable transportation for the athletes and other officials, and a faulty information system. Even the American TV coverage was shameful, a heavy-handed treatment that made the rest of the world feel like unwelcome outsiders.

The hard times were balanced by many vintage performances, not the least of them being Muhammad Ali's shaken-heroic appearance to light the Olympic flame. Carl Lewis confirmed his place among the greatest Olympians when at 35, and after several lean years, he won the long jump for his ninth Olympic gold medal — having qualified two nights earlier with his final, last-gasp attempt.

Few events at these Olympics seemed free of contention or spite. Michelle Smith won Ireland's first medals in swimming — three golds and a bronze, amazingly, although she is from a country without a regulation 50-meter pool — and faced day after day of unfounded suspicions about possible drug use.

Donovan Bailey broke the world record in the 100 meters, and anchored Canada's victory in the 4x100 meter relay. In women's events, Marie-Jose Perec of France completed the same double as Johnson, winning the 200 meters and 400 meters.

Josiah Thugwane became the first black South African to win an Olympic gold medal, on the final day in the marathon, a few months after he had been nicked by a carjacker's bullet at home. Miguel Indurain of Spain recovered his old self for possibly one last time to win the time trial, just a few weeks after his miserable performance in the Tour de France. The list of wonders went on and on.

The heightened pressures of these Olympics — the commercialization, the superstar culture, the unimaginable intensity of modern training and the vast profits that hinge on every hundredth-second — all of it seemed to converge on Michael Johnson. Only two exceptional performances could satisfy his hype. On the morning after the 400 meters final, Roger Black went to a TV studio to watch the race. Johnson had won his first gold medal by about 10 meters in 43.49 seconds, an Olympic record. Black had finished second, in 44.41 seconds, just beyond his personal best.

"For me it was a silver medal, but in fact when I came back home it was as if I'd won the gold," said Black, 30, who has fought through injury for much of his career.

"Everyone had assumed Michael was going to win. The people in Britain are quite well educated about it. It wasn't a case of, 'Oh, you only came second.'"

A few nights later, Black was standing with other athletes at the finish line for the 200 meters final. This time he watched Johnson surge past in 19.32 seconds, breaking the world record phenomenally by close to a half-second. It was one of the great performances of all time.

"Ah, that was great for me to see," Black said. "It made me realize there was no way I could have beaten him in the 400."

Lots More Than the Olympics Made a Big Year

By Ian Thomsen
International Herald Tribune

There was plenty going on before and after the Olympics.

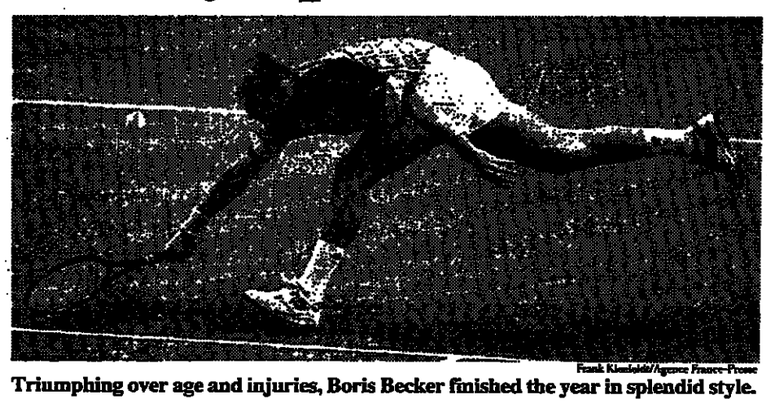
This year might be remembered for the breakthroughs of the Brazilian 20-year-old striker Ronaldo, who quickly lived up to the expectations of his $20 million transfer by scoring bundles of goals for Barcelona; of 20-year-old Allen Iverson, the No. 1 pick of the Philadelphia 76ers and the next likely-to-be-global star of the National Basketball Association; and of the 20-year-old American golfer Tiger Woods, of Thai and African-American ancestry, who within a few weeks won his third success U.S. Amateur title, signed endorsement contracts worth an estimated $60 million and won two professional tournaments in just seven starts.

A few older men will also be remembered for their work this year. Evander Holyfield, 34 and a 22-1 underdog, knocked out Mike Tyson to win the heavyweight championship for the third time.

Nick Faldo, at 38 thought to be too tied up in knots to win again, overcame a six-stroke deficit on the final day of the U.S. Masters to beat Greg Norman by five shots. Forevermore Faldo will be known as a winner and Norman as a two-time champion of the British Open who should have won so much more often.

Mario Lemieux missed the 1994-95 National Hockey League season while undergoing cancer treatment and recovering from back surgery. He returned last season to lead the league in scoring and win his third Most Valuable Player award.

"I get tired a lot quicker now," he admitted, blaming the radiation treatments for Hodgkin's disease. He and his wife also celebrated the birth of their third child, born three months prematurely after a difficult pregnancy.



Frank Kleinfelder/Agence France-Presse

Triumphing over age and injuries, Boris Becker finished the year in splendid style.

Berti Vogts, the German soccer coach, facing what could have been his last chance with a team depleted by injury and suspensions, finally led his country to a major title. He took the European Championship with a comeback 2-1 win over the surprising Czechs at Wembley in the first major-nations tournament match ever decided in sudden-death. Germany's equalizing and winning goals were both scored by Oliver Bierhoff, within a half-hour of his being sent into the game in desperation by Vogts.

The victory was shadowed by the larger issues plaguing the world's most popular game.

In Guatemala, 84 supporters were killed in an overcrowded stadium before a World Cup qualifier, leading FIFA, the sport's governing body, to tighten security arrangements worldwide. It also renewed calls for the fences in France's stadiums to be removed for the 1998 World Cup.

The sports leaders, however, weren't so quick to react to several cases of racism against some of the world's top players — an issue that subverts all of soccer's claims of being a unifying force.

In tennis, Boris Becker, Pete Sampras and Steffi Graf all overcame different traumas.

Becker beat back age to win the Australian Open, then a career-threatening wrist injury to finish the season with some of his best tennis. Sampras, mourning the death of his coach, Tim Gullikson, salvaged his year with victories in the U.S. Open — his eighth Grand Slam title — and in the ATP Tour World Championship over Becker in Germany. Graf, while waiting for her father's release from jail over alleged German tax crimes, won three Grand Slam titles for a total of 21 in her career, three short of Margaret Smith Court's record.

Yet they were all overshadowed in December by the nobodies who fought out the Davis Cup final in Malmo, Sweden, culminating in a nine-hour, 10-set day that ended with France winning on Arnaud Boetsch's agonizing victory over the cramped Nicklas Kulti, a stand-in for Stefan Edberg.

Take the four singles players from that day — Cedric Pioline and Boetsch of France, Thomas Enqvist and Kulti of Sweden — put them in a Grand Slam semifinal, and the whole world would complain (yours truly included). Put them in this year's Davis Cup final, however, and tennis achieved its height for the year. It was a rare lucid moment for an otherwise bloated sport.

Others peaked in different ways.

The great jockey Frankie Dettori won all seven of his rides one day at Ascot, completing in total a 25,091-to-1 longshot. As much as he accomplishes — and many major victories are yet expected — he will never top that day.

Neither is Damon Hill ever likely to improve on the performances that won him the Formula 1 championship, secured with a victory in the final race just a few weeks after Williams announced that Hill would not be returning to the team in 1997. Even if Hill never contends again — he surely will be trailing the leaders next season with TRW Arrows — his victories cannot be blemished. At last he won respect from a sport that seemed unwilling to recognize him.

Typically, many of the year's legal wranglings were played out in America.

You will be bored by only a couple of them here: The dispute between baseball owners and players went back and forth wearyingly until its resolution late in the year. Fortunately it did not overwhelm the New York Yankees' triumph in the World Series, which was won, surprisingly, with the same kind of underdog spirit with which Sri Lanka stunned the traditional cricket powers to win the Cricket World Cup early in the year.

After winning a poorly played Super Bowl in January, the Dallas Cowboys stumbled under the weight of drug problems among key players.

Women's sport enjoyed its most promising year, especially for the United States in Atlanta, where the Title IX equal-opportunity legislation of the 1970s paid off with enough victories from American women to put the country atop the medal counts for the first time in a non-boycotted Olympics since 1968. (The disintegration of the Soviet Union didn't hurt, either.)

One professional basketball league for women began in the autumn, and another, sponsored by the NBA, will begin in the summer of 1997.

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SPORTS

No Gifts From Christmas Present

But a Warming Present of the Ghosts of Soccer Past

Special to the Herald Tribune

Vantage Point / ROB HUGHES

WHERE WAS the peace of Christmas? Where did the soccer ball bounce kindly in people's lives? I know a few places. Year in, year out, the stars play Santa at hospitals and orphanages. If no one quite explains to the kids why Paul Gascoigne or George Weah come pretending to be Father Christmas, at least the *players* believe.

It is cathartic for them, once a year, to give a performance for nothing. Alas, 'twas not universally the season to be jolly. There was a special gift in Hungary — some ghosts of magical Christmases past — but I'll save that for later.

The spirit of Scrooge thrives. Take Brazil, where Pele coined the phrase "the beautiful game." This former player, God's gift to the game and now the minister for sport, fired 12 government employees on the eve of Christmas.

"I came to do an honest job," announced Pele, amid calls that he too should resign.

The 12 are accused of fraudulently favoring broadcasting, computer and public-relations companies with multimillion-dollar contracts and of misappropriating airline tickets that had been issued to athletes.

Meanwhile, not far from Rio de Janeiro, Romario, whose bewitching goals helped Brazil win the last World Cup, showed how far he had fallen. According to reports, Romario punched a youth at a beach foot-volleyball competition and had to be smuggled away by police to hide in a café until the fracas had subsided.

Maybe the new paymaster of the world's leading soccer nation is not too fussy about the sullying of Brazil's image. Nike, the American sportswear company, is backing Brazil's gold shirts to the tune of $200 million over 10 years — with a further $200 million for projects to put shoes on shantytown kids — to build a federation headquarters in Rio.

In return, Nike wants to control the greatest power in the world game. The national shirt, as much an asset to Brazil as coffee beans, becomes a Nike promotion, with the playing schedule to be determined by Nike.

The soul has been sold. We addicts of Brazil must try harder not to judge the essence by the label.

Italy, runner-up to Brazil in the last World Cup, has a new coach for Christmas. That coach, Cesare Maldini, wonders whether his captain, his best defender and his son, Paolo Maldini, will be fit for the World Cup qualifier against England on Feb. 12 at Wembley.

Paolo's cheekbone was broken by an elbow as A.C. Milan, once omnipotent, lost again, to Parma, on Sunday.

Onward to Belgium, and to the bad boy there called Gilles de Bilde. Arguably his country's most talented striker, De Bilde last week punched an opponent, Krist Porte, breaking his nose and damaging an eye.

While doctors assess whether Porte's retina can be repaired, Belgium's soccer fathers question whether De Bilde can be let loose on a soccer field again.

Two seasons ago, he was offered a fortune to play in Madrid. He declined, saying he wished to mature in Belgium first. Critics say he never will. Apologists say his tormented family life — his mother is in an institution, his father had a brain hemorrhage — are the root of De Bilde's indiscipline.

"The boy is entitled to psychological assistance," Michel Verschueren, his coach at Anderlecht, has said. Either that or a prison cell: De Bilde also faces trial for head-butting a male nurse and punching another at the hospital where his father lay ill — and he already is under a suspended jail sentence for butting two scout leaders.

IN GUATEMALA, two months after 84 spectators were crushed to death before a World Cup qualifying match, hope evaporated that the team would at least reach the next round.

Guatemala was eliminated last week despite a spirited 2-2 tie in the United States. The homecoming was made worse by gunfire at a league match in Guatemala City that left two players dead and a third wounded.

Soccer, it seems, mirrors all life and sometimes irrationally becomes a death warrant. Yet it is also a crime to take it away from the people. That is happening in the Czech Republic.

The national team became a symbol of hope there, both in Communist times and after. In 1976, Czechoslovakia won the European Championship, beating West Germany in the final; 20 years later, the new Czech Republic lost in extra time to the reunified Germany at Euro 96.

The stars of that team have gone, among them Karel Poborsky to Manchester United and Patrik Berger to Liverpool.

The Czechs can tolerate that, but now they are deprived of viewing, even on television, their national side's attempts to qualify for the World Cup.

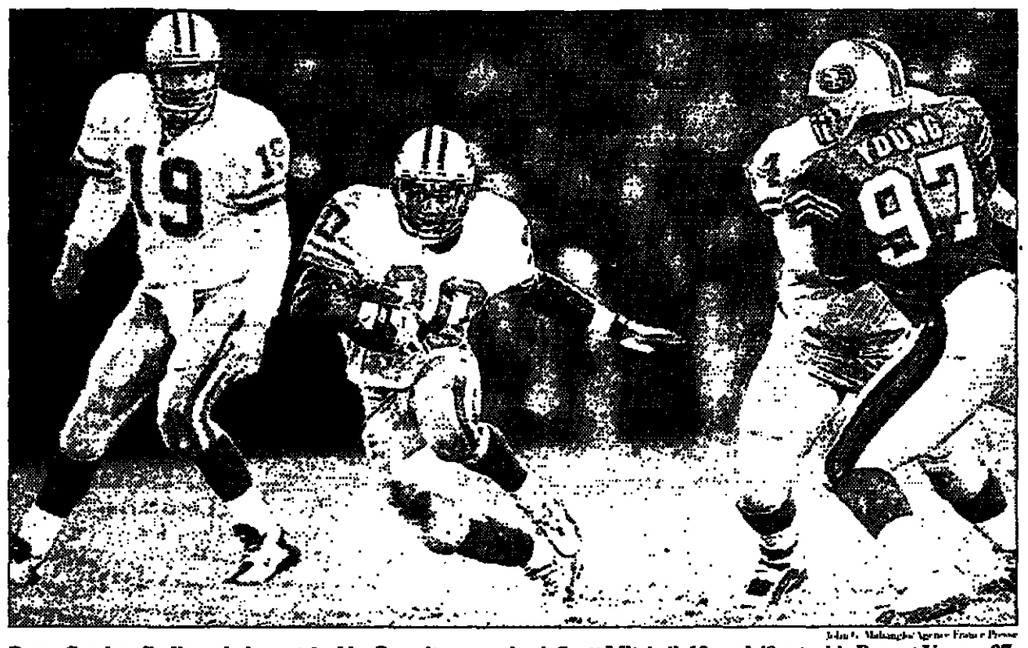
Why? Because sport is money. Because UFA, a German television company, holds the broadcasting rights. And because Czech TV cannot pay $1 million to screen the games.

But this is Christmas, and I did promise some cheer. It came, on Christmas Day, in Hungary where for the first time in their lives viewers young and old and very old could see what was their country's finest sporting hour.

In November 43 years ago, Ferenc Puskas, Nandor Hidegkuti, Sandor Kocsis, Jozef Bozsik and company destroyed the myth of England's invincibility at Wembley Stadium.

The "Magical Magyars" outwitted England technically, tactically and spiritually. Puskas, the portly "Galloping Major," struck 83 goals in 84 Hungarian matches. The blond Kocsis, or "Golden Head," scored 75 goals in only 68 internationals. The scheming Hidegkuti revolutionized center forward play.

The Budapest uprising of 1956 and the Soviet repression of it broke up the team, and there never has been a Magyar era like it. In the 1950s there was no television in Hungary. In the spirit of Christmas, the BBC, the English Football Association and the British government donated a videotape of the Wembley performance so that Hungarians could see gratis the ghosts of 43 winters ago.



Barry Sanders finding a hole, watched by Detroit quarterback Scott Mitchell, 19, and 49er tackle Bryant Young, 97.

Oakland Raiders Fire Head Coach

The Associated Press

Mike White was fired on Christmas Eve after two losing seasons as head coach of the Oakland Raiders.

Bruce Allen, the son of former Washington Redskins coach George Allen and the Raiders' senior administrator, informed White his two-year contract would not be renewed during a meeting Tuesday.

Team owner Al Davis did not meet with White, nor was he involved in giving him the news of his dismissal, but Allen said Davis was involved in the decision.

"I don't think Christmas Eve has as much to do with it as when the season ends," Allen said of the timing of the dismissal. "Our last game was Sunday, and we wanted to make a decision. With all the other openings, it gives Mike the opportunity to look for a new job."

White was the fifth National Football League coach in five days to resign or be fired. He was preceded by Rich Kotite of the New York Jets, Rich Brooks of the St. Louis Rams, Dan Reeves of the New York Giants and June Jones of the Atlanta Falcons.

There could be more firings by the end of the week. Wayne Fontes, Detroit Lions coach, had a meeting scheduled Thursday with team owner William Ford. Rick Venturi, the New Orleans Saints' interim coach since Jim Mora resigned in midseason, is scheduled to meet with owner Tom Benson and almost certainly will not be retained.

The last game of the NFL regular season might also have marked the last game of Fontes' tenure with Detroit. It was a night of personal triumph for Detroit running back Barry Sanders, but it brought another defeat for the team.

Sanders became the first player to pass 1,500 yards in three consecutive seasons and won his third NFL rushing title with a 175-yard performance Monday night in San Francisco. The playoff-bound 49ers won the game 24-14.

The Detroit tailback finished the season with 1,553 yards, surpassing the 1,538 yards by Denver's Terrell Davis that led the American Football Conference. Davis had only 21 yards Sunday and played sparingly, leaving Sanders 160 yards behind at the start of Monday's game.

"There's a guy from Denver that's upset with our defense right now, but it's amazing what this guy can do," 49ers linebacker Gary Plummer said.

Sanders entered the game against San Francisco needing 122 yards to reach 1,500. He passed the historic milestone on a 19-yard scamper midway through the third period.

"I've never seen him run with more intensity, more determination," 49ers coach George Seifert said. "We have to pay special tribute to him for a tremendous performance."

Sanders said, "I am proud to say I won this rushing title, but in the big picture I'd rather my teammates and I were playing next week."

SCOREBOARD

BASKETBALL

NBA Standings

EASTERN CONFERENCE

ATLANTIC DIVISION

	W	L	Pct	GB
Miami	20	7	.741	—
New York	19	7	.731	½
Washington	13	13	.500	6½
Orlando	10	13	.435	8
Philadelphia	7	18	.280	12
New Jersey	6	17	.261	12
Boston	5	19	.208	13½
CENTRAL DIVISION				
Chicago	24	3	.889	—
Detroit	20	5	.800	3
Cleveland	17	9	.654	6½
Atlanta	15	10	.600	8
Charlotte	15	11	.576	8½
Milwaukee	15	11	.576	8½
Indiana	12	12	.500	10½
Toronto	9	18	.333	15
WESTERN CONFERENCE				
MIDWEST DIVISION				
	W	L	Pct	GB
Houston	21	6	.778	—
Utah	20	6	.769	½
Minnesota	10	17	.370	11
Dallas	9	16	.360	11
Denver	8	19	.296	13
San Antonio	6	18	.250	13½
Vancouver	6	22	.214	15½
PACIFIC DIVISION				
Seattle	20	9	.690	—
L.A. Lakers	19	9	.679	½
Portland	14	14	.500	5½
Sacramento	11	17	.393	8½
Golden State	10	17	.370	9
L.A. Clippers	10	18	.357	9½
Phoenix	8	18	.308	10½

MONDAY'S RESULTS

Atlanta 23 19 21 13— 76
New York 21 25 28 16— 82
A: Smith 10-22 2-2 22, Loetiner 6-19 0-0 13, Blaylock 4-14 4-6 13; N.Y.: Ewing 6-17 5-6 17, Houston 6-15 3-6 16. Rebounds—Atlanta 43 (Loetiner 13), New York 58 (Oakley 18). Assists—Atlanta 13 (Blaylock 6), New York 20 (Childs 7).

Cleveland 21 28 22 21—94
Orlando 28 17 22 22—89
C: Hill 9-9 2-6 20, Brandon 10-16 0-0 20; O: Seikaly 7-16 3-5 17, Grant 8-12 4-4 20. Rebounds—Cleveland 37 (Hill 6), Orlando 47 (Grant 12). Assists—Cleveland 18 (Sura 6), Orlando 27 (Wilkins, Shaw 8).

Utah 25 29 23 21— 98
Minnesota 23 24 26 24—107
U: Malone 8-18 6-8 22, Hornacek 5-10 2-3 13; M: Mcarbury 11-17 9-11 33, Mitchell 6-7 4-5 17. Rebounds—Utah 45 (Malone 13), Minnesota 35 (Gugliotta 9). Assists—Utah 27 (Stockton 13), Minnesota 29 (Marbury 8).

New Jersey 32 13 21 15— 81
Chicago 18 37 32 26—113
N.J.: GB 8-17 2-2 19, Kittles 8-13 0-0 19; C: Jordan 10-18 4-4 24, Pippen 8-18 0-0 20. Rebounds—New Jersey 41 (Massenburg, Bradley 8), Chicago 56 (Rodman 17). Assists—New Jersey 27 (Pack 17), Chicago 28 (Kukoc 5).

Milwaukee 22 20 24 15— 81
Houston 17 18 23 18— 76
M: Douglas 9-12 1-2 19, Baker 8-16 1-3 17; H: Olajuwon 18-35 1-2 37, Willis 6-12 2-4 14. Rebounds—Milwaukee 46 (Baker 16), Houston 38 (Olajuwon 15). Assists—Milwaukee 18 (Robinson 6), Houston 23 (Drexler 11).

Miami 31 28 17 22— 98
San Antonio 21 28 19 19— 79
M: Mourning 11-18 10-15 32, Lenard 6-13 2-2 16; S.A.: Elliott 7-14 3-4 18, Robinson 5-8 8-10 18. Rebounds—Miami 50 (Mourning, Thomas 9), San Antonio 40 (Elliott, Perdue 9). Assists—Miami 13 (Hardaway 8), San Antonio 14 (Johnson 5).

Denver 21 24 24 28 22—112
Phoenix 26 24 19 20 20—109
D: Stith 12-21 4-4 36, D.Ellis 10-23 2-3 24, McDyess 10-20 2-4 22; P: Chapman 7-17 2-2 16, Person 5-13 0-0 14, Manning 7-14 0-0 14. Rebounds—Denver 60 (E.Johnson 14), Phoenix 64 (J.Williams 14). Assists—Denver 28 (Jackson 17), Phoenix 35 (K.Johnson 11).

Washington 29 25 29 23—106
Portland 31 12 17 24— 84
W: Howard 13-20 1-2 27, Webber 10-18 4-4 25; P: Sabonis 10-20 1-4 23, Anderson 4-12 2-3 12. Rebounds—Washington 57 (Webber 11), Portland 47 (Sabonis 8). Assists—Washington 24 (Strickland 10), Portland 25 (Robinson 8).

L.A.Clippers 16 19 24 29— 88
Sacramento 29 28 19 24—100
L.A.: Rogers 9-14 1-2 20, Vaught 5-16 4-6 14; S: Richmond 7-12 8-11 23, Abdul-Raof 10-21 0-0 20. Rebounds—Los Angeles 45 (Vaught 10), Sacramento 51 (Polynice 14). Assists—Los Angeles 20 (Martin 20), Sacramento 23 (Gamble 5).

TUESDAY'S RESULTS

No games scheduled.

HOCKEY

NHL Standings

EASTERN CONFERENCE

ATLANTIC DIVISION

	W	L	T	Pts	GF	GA
Florida	20	8	7	47	108	83
Philadelphia	21	12	3	45	110	86
New Jersey	19	11	3	41	89	77
N.Y. Rangers	18	14	5	41	131	100
Washington	15	18	2	32	94	96
N.Y. Islanders	11	15	8	30	90	96
Tampa Bay	11	19	3	25	92	106
NORTHEAST DIVISION						
	W	L	T	Pts	GF	GA
Buffalo	18	14	3	39	103	95
Hartford	16	11	6	38	104	106
Pittsburgh	17	15	3	37	125	117
Boston	13	15	6	32	97	117
Montreal	12	18	5	29	111	125
Ottawa	10	15	7	27	87	97
WESTERN CONFERENCE						
CENTRAL DIVISION						
	W	L	T	Pts	GF	GA
Chicago	21	11	3	45	100	80
Detroit	18	11	6	42	104	68
Phoenix	15	16	4	34	91	108
St. Louis	16	19	1	33	101	120
Chicago	14	18	5	33	91	95
Toronto	14	22	0	28	109	129
PACIFIC DIVISION						
	W	L	T	Pts	GF	GA
Colorado	20	10	5	45	123	85
Edmonton	15	18	4	34	127	114
Vancouver	16	16	1	33	100	105
Calgary	13	19	5	31	93	106
Anaheim	12	17	5	29	98	107
San Jose	12	18	4	28	83	110
Los Angeles	12	19	4	28	93	120

MONDAY'S RESULTS

Washington	2	1	0—3
Tampa Bay	0	1	0—1

First Period: W-Bondra 14 (Allison, Hunter) 2, W-Juneau 9 (Cote, Hunter) (pp). Second Period: W-Miller 3 (Hunter, Reekie) 4, T-Langkow 3 (Gratton, Zamuner) Third Period: None. Shots on goal: W- 12-12-9—34. T- 7-8-9—24. Goalies: W-Carey 11-12-1. T-Tabaracci.

Buffalo	0	0	0—0
New Jersey	0	0	0—0

First Period: None. Second Period: None. Third Period: None. Overtime: None. Shots on goal: B- 11-14-11-1—37. N.J.- 12-10-11-4—37. Goalies: B-Hasek. N.J.-Brodeur.

Florida	3	0	0 1—4
N.Y. Islanders	0	0	3 0—3

First Period: F-Hull 5 (Skrudland, Gustafsson) 2, F-Carpenter 6 (Mellanby) 3, F-Carpenter 7 (Sheppard, Gustafsson) (pp). Second Period: None. Third Period: New York, Sandlak 7 (McCabe) 5, N.Y-Smalinski 8 (McCabe, King) 6, N.Y-Houda 1 (McInnis, Lapointe) Overtime: 7, F-Sheppard 17 (Straka) Shots on goal: F- 10-6-6-1—23. N.Y.- 5-8-9-0—22. Goalies: F-Fitzpatrick. N.Y-Soin. Richaud.

Dallas	1	1	1 0—3
Detroit	0	1	2 0—3

First Period: C-Zhamnov 7 (Amonie) Second Period: C-Probert 3 (Savard) 3, B-, DiMaio 9 (Oates, Stumpel) Third Period: C-Black 7, 5, B-Oates 10 (DiMaio, Ellis) 6, B-Mallette 4 (D.Sweeney) Overtime: None. Shots on goal: C- 13-7-6-0—26. B- 5-13-17-2—37. Goalies: C-Belfour. B-Ranford.

Ottawa	1	3	2—6
Montreal	0	0	0—0

First Period: O-Duchesne 5, (pp). Second Period: O-Zholtok 2 (Alfredsson, Lambert) 3, O-Zholtok 3 (Alfredsson, Cunneyworth) 4, O-, Alfredsson 13 (Laukkanen, York) (pp). Third Period: O-Daigle 12 (Alfredsson, Reidden) (pp), 6, O-Daigle 13 (Duchesne, Yashin) (pp). Shots on goal: O- 12-13-11—36. M- 3-8-3—14. Goalies: O-Rhodes. M-Thibault, Jablonski.

Pittsburgh	1	3	2—6
Toronto	2	1	2—5

First Period: T-Sundin 23 (Gilmour, Murphy), 2, T-Modin 4 (Gilmour, Macoun) 3, P-Lemieux 22 (Jagr, Roche) Second Period: P-Lemieux 23 (Kasparaitis, Jagr) 5, P-Francis 12 (Jagr, Hatcher) (pp), 6, P-Jagr 31, (pp), 7, T-Hendrickson 5 (Yushkevich, Domi) Third Period: T-Domi 5 (Muller) 9, P-, Jagr 32 (Lemieux) 10, P-Woolley 2 (Francis, Sandstrom) 11, T-Modin 5 (Gilmour, Sundin) Shots on goal: P- 11-11-10—32. T- 15-13-16—44. Goalies: P-Wregget. T-Potvin.

San Jose	1	0	1—2
Dallas	0	1	0—1

First Period: S.J.-Nolan 13, Second Period: D-Zubov 5 (Langenbrunner, Ludwig) Third Period: C-Sakic 15 (Lacroix, Jones) (pp), 5, C-Reichel 8 (Tikkw, Simpson) 6, C-Hlushko 4 (Gavey) 7, C-Lacroix 11 (Yelle) Shots on goal: C- 12-9-12—33. C- 9-12-9—30. Goalies: C-Roloson, C-Billington.

Phoenix	0	1	1—2
Anaheim	0	0	1—1

First Period: None. Second Period: P-Gartner 16 (Running) Third Period: A-Rychel 8 (Drury, Baumgartner) 3, P-Roenick 8, (Numminen, Corkum) Shots on goal: P-15-12-10—37. A- 13-13-12—38. Goalies: P-Khabibulin. A-Hebert.

Edmonton	2	2	3—7
Vancouver	0	0	1—1

First Period: E-McAmmond 7 (Ciarkowski, McGillis) 2, E-Kovalenko 17 (Mironov) (pp). Second Period: E-Smyth 16 (Richardson), 4, E-Kovalenko 18 (Arnott) Third Period: E-Lindgren 3 (Buchberger, Lowe) 6, E-Smyth 17 (Buchberger) 7, E-McCammond 8 (Czerkawski, Marchant) Shots on goal: E- 8-10-13—31, V- 8-6-12—26. Goalies: E-Essenso, V-Hirsch. Fountain.

TUESDAY'S RESULTS

No games scheduled.

FOOTBALL

NFL Playoffs

WILD CARDS

SATURDAY, DEC. 28

Jacksonville at Buffalo, 12:30 p.m. (all times EST)

Minnesota at Dallas, 4 p.m.

SUNDAY, Dec. 29

Indianapolis at Pittsburgh, 12:30 p.m.

Philadelphia at San Francisco, 4 p.m.

DIVISIONAL PLAYOFFS

SATURDAY, JAN. 4

San Francisco, Philadelphia or Minnesota at Green Bay, 12:30 p.m.

Buffalo, Jacksonville, or Indianapolis at Denver, 4 p.m.

SUNDAY, JAN. 5

Pittsburgh, Buffalo or Jacksonville at New England, 12:30 p.m.

Dallas, San Francisco or Philadelphia at Carolina, 4 p.m.

SOCCER

ENGLISH PREMIER LEAGUE

Newcastle 1, Liverpool 1

STANDINGS: Liverpool 38points; Arsenal 35; Wimbledon 34; Aston Villa 33; Manchester United 31, Newcastle 31; Everton 28, Chelsea 28; Sheffield Wednesday 26; Tottenham 25; Derby 22, Leeds 22; Leicester 21; Sunderland 20; West Ham 18; Southampton 16, Coventry 16; Middlesbrough 15; Blackburn 13, Nottingham Forest 13.

SPANISH FIRST DIVISION

Valencia 3, Hercules 0

STANDINGS: Real Madrid 39 points; Barcelona 37, Deportivo Coruna 37; Real Betis 35; Atletico Madrid 29; Real Sociedad 28; Athletic Bilbao 27; Valladolid 26, Racing Santander 26; Tenerife 25; Rayo Vallecano 23, Celta Vigo 23, Valencia 23; Espanyol 19, Oviedo 19; Sporting Gijon 17; Compostela 16; Logranes 15; Zaragoza 14, Sevilla 14; Hercules 11; Extremadura 8.

TRANSITIONS

BASEBALL

MAJOR LEAGUE BASEBALL

NATIONAL LEAGUE

SAN DIEGO—Agreed to terms with INF Luis Lopez on 1-year contract.

BASKETBALL

NATIONAL BASKETBALL ASSOCIATION

DENVER—Signed F Aaron Williams.

MIAMI—Put F Dan Majerle on injured list. Activated F Martin Muursepp from injured list.

NEW JERSEY—Signed F Lloyd Daniels.

PORTLAND—Put G Aleksandar Djordjevic on injured list. Activated G Reggie Jordan from injured list.

SACRAMENTO—Signed F Devin Gray. Put F Lionnel Simmons on injured list.

FOOTBALL

NATIONAL FOOTBALL LEAGUE

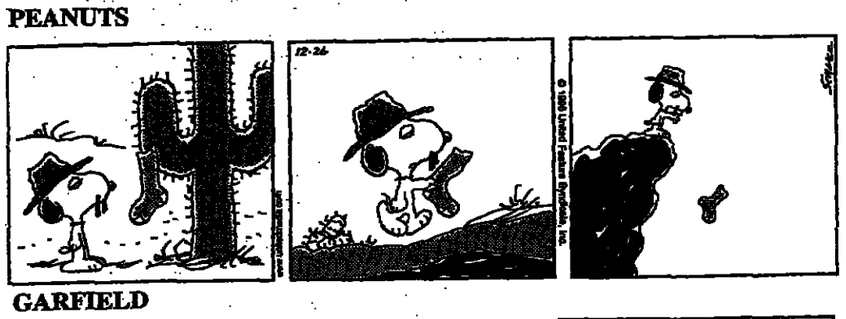
MINNESOTA—Signed QB Brad Johnson to 4-year contract extension.

N.Y. JETS—Announced resignation of Rich Kotite, coach, effective at end of season.

OAKLAND—Fired Mike White, coach.

DENNIS THE MENACE

PEANUTS



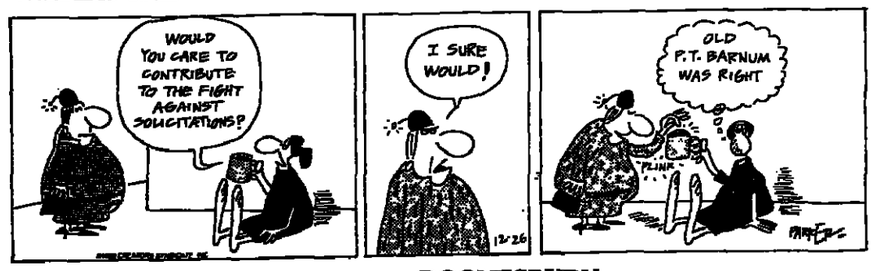
GARFIELD

BEETLE BAILEY

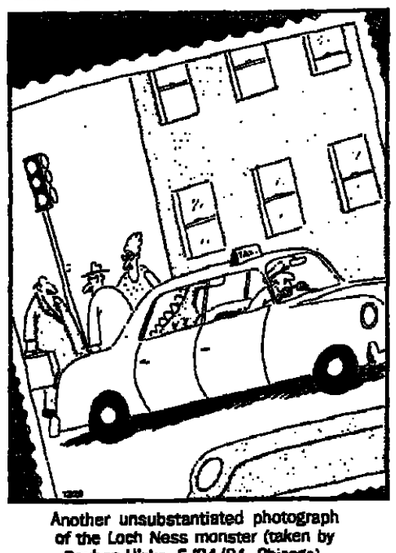
BLONDIE

CALVIN AND HOBBES

WIZARD of ID



THE FAR SIDE



Another unsubstantiated photograph of the Loch Ness monster (taken by Reuben Hicks, 5/24/84, Chicago).

DOONESBURY

JUMBLE. THAT SCRAMBLED WORD GAME by Henri Arnold and Mike Argirion

Unscramble these four Jumbles, one letter to each square, to form four ordinary words.

BADIE

DOLDY

GLANJE

MIRSUQ

Now arrange the circled letters to form the surprise answer, as suggested by the above cartoon.

Print answer here:

(Answers tomorrow)

Yesterday's Jumbles: ALIAS EVOKE SALUTE DAWNED
Answer: The valerie chef knew when to use spices because he was the — WELL-SEASONED

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ART BUCHWALD

A Golden Shakedown

WASHINGTON — The one thing you can say about Hollywood is that it looks after its own. While it still maintains questionable accounting methods for its creative talent, it always ensures that its executives will never have to apply for food stamps.

Buchwald

You don't even have to be successful in Hollywood to be rewarded. All you need is a contract with a studio that spells out the financial terms after you've failed miserably.

All this comes to the fore because of Michael Ovitz's departure from Walt Disney Co. Although Ovitz contributed little to the firm, he is leaving with $50 million in compensation and $40 million in stock options — better terms than most people being laid off by AT&T can get.

This is not the only golden parachute deal in the movie business. As studio heads, Peter Guber and Jon Peters drove Columbia Pictures into the sewer a year or two ago and walked away with millions and millions of Sony's money. So much so that the Japanese were considering bombing Malibu Beach.

□

The question on everyone's lips is, why does Hollywood go out of its way to reward failure? One theory is that it's something in the Jacuzzi water out there. The executives sit around stark naked in their hot tubs and exchange movie ideas. What makes it so much fun is that even if they come up with bomb after bomb, they know their payroll slip will come with a check large enough to buy an NFL football team.

Here's how it works. Randy Yanker, the head of Gasp Studios, is called by the president of the company.

"Randy, your last three pictures have been stinkers and your latest, 'Shooting Off Bobo's Kneecaps,' has lost the studio $600 million."

"Nobody's perfect."

"That's what I said, and the board said, 'Fire him.'"

"Why not? I'd like to spend more time breeding my polo ponies. If you put $100 million into the trunk of my Jaguar I'll go quietly."

"After four flops we were thinking of making you an offer of $80 million."

"Are you crazy? No one in the business leaves for a lousy 80 million. I'm not some jerk screenwriter who's used to being shafted. I'm a studio head, and I demand respect."

□

"Randy, the stockholders might get upset if I gave you all that cash. Would you take half the hundred in unmarked bills and half in shares in the Coca Cola company?"

"Ripkin, I can't believe that we were once friends. How much will you get when you abandon ship?"

"That's none of your business."

"I know what it is — $250 million and all the real estate in Sun Valley."

"So? That's normal compensation for a motion-picture CEO. After all, our reputations are on the line, and if we make the company go bust, we still want respect at the Bel Air Country Club. Since you are being such a fusspot we'll give you the $100 million in cash."

"As an independent, can I still make movies for Gasp?"

"Naturally. We couldn't do it without you."

Meet Madame Jazz, the Queen of New Morning

By Mike Zwerin
International Herald Tribune

PARIS — With her effortless sophistication and social grace, Madame Eglal Fahri seems to be presiding over a Parisian salon rather than running a jazz club. Her New Morning is celebrating its 15th anniversary. Calling her anything less stylish than "Madame" would be somehow inappropriate. And do not call her before noon.

Jazz club lifespans relate to more normal businesses as dog and cat lives relate to those of human beings. New Morning is by now in the same legendary league as New York's Village Vanguard. Big draws like John Scofield would rather play three nights chez Madame Fahri than one for the same money in a larger, more respectable and better located venue without the same intimacy and history.

Family snapshots in the life of a legend: Being told that the club is closed in August, a Japanese student at the door asks if she might sit at a table for a few minutes anyway so she can tell her friends back home that she was in New Morning. . . . The artist formerly known as Prince and the film director Spike Lee listen to Lenny White in a management-provided private alcove. . . . Joshua Redman reclines on the dressing room floor between sets, filling out his U.S. income tax forms.

One of Fahri's older friends did not understand how she could relate to jazz musicians who are, on the surface, so different from her. Somewhat defensively, she replied by describing Archie Shepp and Art Blakey and other jazzmen she came to know as "interesting, creative people. I've always been interested in culture."

Seeing the club for the first time, an Egyptian journalist of her acquaintance expressed surprise to find — freely translated — a nice girl like her in a joint like this.

Born in Cairo, she attended a French lycee and graduated from the American University there. She speaks Arabic, French, English, Italian and "a few words of Greek."

She and her friends jitterbugged to recordings by Glenn Miller and Benny Goodman. Jazz as an art form was not on their calendar until, in 1935, the writer Georges Henlein wrote an article in an Egyptian magazine predicting that jazz was going to be the classical music of our century. Impressed, Fahri's circle began to listen to Louis Armstrong and Duke Ellington.

World War II interfered with her plan to study philosophy at the Sorbonne. She lived in Cairo "with my imagination in Paris." Finally arriving in 1948, she was blown away

'I'm stuck in Paris. I guess there are worse places to be stuck.'

by Sidney Bechet, Boris Vian, Jean Cocteau and the jazz-linked existential life in Saint-Germain-des-Pres. She wrote about social and economic subjects for the United Nations press service. She married a Frenchman, and they had a daughter.

Now she lives in the posh Paris suburb of Neuilly with her second husband, Berto Fahri, who is Swiss. They have a daughter too. She would love to visit her daughters, who live in Cairo and the south of France, but there's too much to do here. "I'm stuck in Paris," she says, adding with a smile: "I guess there are worse places to be stuck."

Her second husband's two sons from a previous marriage started a club in Geneva named New Morning, after a Bob Dylan song. That club became a standard stop on the European jazz, folk and blues circuit. Opening a Paris branch, the brothers asked their stepmother to be the French director the law required. It was merely ceremonial, they assured her. But ceremonies can take odd turns in show business and, with the club on the brink of bankruptcy, she found herself legally responsible. She refinanced, repaid debts, got involved on a day-to-day basis.

Chet Baker's photograph was on the last page of the booklet Fahri's team produced for their 10th anniversary "like a seal of authenticity." She calls Baker "our emblematic musician." Despite an infamous reputation for showing up late and/or wasted, Baker could play the New Morning pretty much any time he asked. This was in the 1980s, shortly before his death, when his drug taking had alienated just about everyone.

"Chet was sick, you know, he needed drugs," she sighs. "There was a sense of tragedy about him. He was such a melancholy man. Such a beautiful musician. I was so fond of him."

The program at New Morning changes every night. Each concert becomes a new risk subject to the public's fickle taste, the weather, long holiday weekends and strikes. Despite a subsidy from the Culture Ministry, three or four slow nights can add up to a cash flow crisis.

Strangely enough, the worse the French economy gets the better business New Morning seems to do. Fahri chalks this up to luck and a growing need for swing in unswinging times. She and her team ("we work together collegially") stay on top of trends. Mixing blues and salsa with jazz and inventing new programming formulas helps.

New Morning is one of 17 European clubs that have joined forces to share the risk of presenting promising young talent through a program called "Rising Stars." Alone, none of them could make money on these people, who are not yet well known. Together, they create an exciting new circuit.

Fahri works at home afternoons and early evenings. She asked City Hall to designate legal places to post posters and to stop tearing them down. There's "about a problem a minute," she says.

Foreign musicians do not pay the stiff French social charges. French

Christian Rose

Eglal Fahri, whose jazz club is celebrating its 15th anniversary.

musicians call it unfair competition. Work permit rules have become stiffer, and they are being enforced. Fahri meets with labor unions, bureaucrats and managers of other venues to try to make sure that the rules are fair and workable and understood by all.

"You may not believe it," she adds, half joking, "but I have a husband." She became unhappy spending too much time in a business mode and she and her husband now go out of their way to dine together.

After dinner, Madame Fahri takes a taxi to her club. She arrives at 11 — erect, well-dressed, fresh; like a queen. Ready for tonight's gig, and another new morning.

The Associated Press

Shirley MacLaine on her new film: "I must be crazy."

PEOPLE

MAKING a long-expected appointment official, NBC has named **Matt Lauer** the next co-host of the "Today" show, replacing **Bryant Gumbel**, who will step down Jan. 3 after 15 years in the job. Lauer, who has been the news anchor for "Today" and Gumbel's vacation replacement since 1994, will assume the co-host role, paired with **Katie Couric**, on Jan. 6. NBC is hoping for a seamless transition for "Today," which has beaten ABC's "Good Morning America" and other challengers by growing margins in the ratings over the past year. Lauer follows previous hosts **Dave Garroway, Tom Brokaw, Hugh Downs** and **John Chancellor** on the long-running show, which debuted Jan. 14, 1952.

□

Patti Smith lists a variety of influences on her musical career: **Bob Dylan, Baudelaire** and **Johnny Carson**. Johnny? The high priestess of rock says the talk-show host helped her deal with hostile audiences. "I learned by watching him," she says in W magazine's January issue. "I used to open blues acts in bars, trying to read poetry. I'd be reciting poems . . . with drunken guys yelling, 'Get a job! Go back to the kitchen!' So I had to spar with these people. And I always thought about Johnny Carson, and how he handled people who yelled out during his monologue." Smith, who will be 50 on Dec. 30, was never invited on Carson's "Tonight Show." She did appear on **David Letterman** and **Jay Leno** after her critically acclaimed "Gone Again" album appeared earlier this year.

□

The machinists' union has filed a $50 million lawsuit against Walt Disney Pictures, claiming that its movie "Ransom" tarnishes the labor group's reputation. The lawsuit accuses Disney of associating the International Association of Machinists and Aerospace Workers with "despicable criminal activities and gross violations of its duties to its members." In the film, **Mel Gibson** stars as Tom Mullen, the wealthy owner of Endeavor Airlines, whose son is kidnapped and held for $2 million ransom. Mullen is pegged by the kidnappers as an easy mark after paying $250,000 to a corrupt "Machinists Union" official to prevent an airline strike. **Ken Green**, a spokesman for Walt Disney Co., said the company never comments on pending lawsuits.

□

Shirley MacLaine realizes she's tempting fate by revisiting an Oscar-winning role in the sequel to "Terms of Endearment." "I'm terrified. I'm nervous," MacLaine said of her reprise of the character Aurora Greenway in "Evening Star," a Christmas Day release. "I hope I wasn't out of mind when I decided to do this again. My God, this woman is a beloved American matriarch. I must be crazy to mess with a beloved American matriarch." The sequel picks up the story 15 years later. Aurora has raised her late daughter's three children. The film again pairs MacLaine with **Jack Nicholson**, who plays a retired astronaut. MacLaine said that for years she never considered a sequel. "Then I decided that it would be interesting to see what Aurora was up to after 15 years," she said. "People want to know what older people are up to."

□

Marla Maples Trump is taking center stage in one of her husband's new beauty pageants: as hostess for the preliminary and final segments of the Miss USA pageant in February in Shreveport, Louisiana. **Donald Trump** will probably play a role in the final show, according to an assistant pageant director. Trump bought the Miss Universe, Miss USA and Miss Teen beauty pageants in October.

□

The Nobel laureate **Octavio Paz** and his wife managed to escape from a fire in their Mexico City apartment, but a beloved collection of old books, furniture, carpets and paintings was destroyed. The two were awakened early in the morning by an explosion caused when a television set short-circuited. "Some of the books were inherited from my grandfather," said Paz, 82, who won the Nobel Prize for Literature in 1990. "There were paintings and objects given to me as presents over the years, over a lifetime."

□

The singer **Lionel Richie** has married his longtime girlfriend, **Diane Alexander**, in New York City. They have a 2-year-old son.

□

Let them eat chocolates! Deeply indebted to the royal bankers, the **Duchess of York** decided this year to limit her Christmas gifts to handmade chocolates, the Daily Mirror reports. The former Sarah Ferguson made an exception only for her children, **Princesses Beatrice** and **Eugenie**, the newspaper said.

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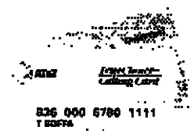

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